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ABSTRACT

This unit, one of a series of six Project SCAT (Skills for Consumer Applied Today) units, is designed to help senior high school students develop consumer education skills. For a description of the specific objectives and format of the units, see SO 013 467. This document provides teaching methods, learning activities, and student booklet for a unit on credit. The unit focuses on five concerns: the meaning of credit, how to obtain it, the costs of credit, the limits of personal credit, and consumer protections offered the credit customer. Topics covered include types of credit accounts, installment purchases, credit cards, borrowing credit, the Consumer Protection Act, unfair credit practices, and federal agencies. Students make displays of credit advertisements and contracts, explore opinions about credit, develop guidelines for the wise use of charge accounts, collect and compare credit applications, discuss credit records, practice finding the dollar cost of credit, research service charge methods of national credit card companies, discuss collection agencies, and investigate where to report fraud. A pre- and posttest and reproducible graphics are provided. The student booklet contains relevant vocabulary, readings, and worksheets. (KC)

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CREDIT: "Ch.a.a.rge!"

Skills for Consumers Applied Today

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Teacher PAL Tips

Welcome, teachers, to this $CAT Consumer Education Teacher PAL*. We hope you will find this a useful resource while you are teaching this subject. Features of this PAL include:

A CONTENT OUTLINE of the Student PAL subject matter to aid you in class discussions.

STUDENT OBJECTIVES which state in behavioral terms the objectives of the Student PAL.

SUGGESTED ACTIVITIES which you may wish to use as enrichment activities. These include:

INTRODUCTORY ACTIVITIES which give suggestions for introducing the topic.

DEVELOPMENTAL ACTIVITIES which give ideas for developing the major concepts in the Student PAL. These suggestions are keyed to each section of the Student PAL and include appropriate resources.

REVIEW ACTIVITIES which give suggestions to guide the culmination of the study.

RESOURCE suggestions which are of three types and coded as follows:

* Materials developed by $CAT and included in this Teacher PAL.

+ Commercially developed materials, available at a cost.

= Commercially developed materials, available free or on a free-loan basis.

ADDRESSES of the producers of all suggested resources as well as others which you may wish to contact for additional ideas and/or materials.

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* Packaged Activities for Learning

A SPECIALIZED VOCABULARY which is an alphabetized listing of all the "Passwords" listed in the Student PAL.

FILM DESCRIPTIONS for each film suggested as a resource.

INSTRUCTIONAL AIDS which include Xerox masters for the Test, the Test Answer Sheet, Student Activity Sheets, Film Guides, and Transparencies which you may wish to use in your study.

ANSWER KEYS for the Test, $CAT-developed Activity Sheets, and all pages from the Student PAL requiring student responses.

A STUDENT PAL for your reference.

In addition, some pages in the Student PALs are designed specifically to encourage class discussions, and teacher-led discussions may be necessary to insure student comprehension of the concepts presented. Such pages in the Student PAL for this topic include:

Pages 5 - 6:	Making choices and determining the costs of those choices
Pages 22-23:	Determining the consequences of choices
Page 24:	Opinions about credit
Pages 30, 31, 34:	Qualifications for credit
Pages 38, 41, 44:	Consumer reactions to problems

These features are suggestions only. You, the instructor, know your class best and should feel free to choose those activities and resources most appropriate for your students.

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Credit

Credit is a means of extending one's purchasing power in times of emergency, need, or simple desire. Credit provides the opportunity for persons to increase their buying power by means of having the use of money, merchandise, or services immediately and paying later. For some it may mean the convenience of carrying smaller sums of money when shopping; for others credit is a form of "forced savings" as they find it easier to make payments at specific intervals than to save in advance.

Today's consumer usually shops more carefully for the product he wishes to buy with his credit dollar than for the money he needs to purchase it. It is the purpose of this unit to make the credit user a more informed consumer.

The concepts of what credit is, how to obtain it, the costs of credit, the limits of personal credit, and the consumer protections offered the credit consumer are presented to help make today's young consumer a more informed credit consumer.

Content Outline

- I. The meaning of credit
  - A. Definition
    - 1. The system which allows consumers to obtain goods, services or money and pay at a later date
    - 2. Examples of credit
      - a. Goods
      - b. Services
      - c. Money
  - B. Advantages and disadvantages
    - 1. Advantages
      - a. Immediate use of goods
      - b. Convenience
      - c. Credit rating
    - 2. Disadvantages
      - a. Cost
      - b. Ties up future income
      - c. Risk
      - d. May encourage overspending
  - C. Types of credit accounts
    - 1. Sales or purchase credit
      - a. Open or regular charge accounts
        - (1) Convenience credit
        - (2) No charge if paid in 30 days
        - (3) APR: approximately 18%
      - b. Revolving or flexible accounts
        - (1) Predetermined maximum
        - (2) Predetermined payment period
        - (3) APR: approximately 18%
      - c. Installment purchase accounts
        - (1) Regular payments over a specified period
        - (2) Buyer not legal owner until item is paid for
        - (3) Finance charges usually high
        - (4) Charges may include
          - (a) Credit investigation
          - (b) Contract
          - (c) Collection
          - (d) Filing fees
          - (e) Credit life insurance
      - d. Credit cards
        - (1) Issued by department stores, banks, oil companies, etc.
        - (2) 300+ million in use today
        - (3) Regular/revolving option
        - (4) Predetermined maximum
        - (5) Monthly billing
        - (6) $50 liability limit if lost
        - (7) APR: approximately 18% (1½% per month)
      - e. Services
        - (1) Professional services
        - (2) Monthly statements
      - f. Utilities
        - (1) Electricity, gas, water
        - (2) Telephone
    - 2. Cash loan or borrowing credit
      - a. Commercial banks
        - (1) Largest source of consumer credit
        - (2) Variety of loan services

(3) Equal monthly installment payments
(4) Strict qualification requirements
(5) APR: approximately 12-18%

b. Credit unions
(1) Limited membership
(2) Low interest rates
(3) APR: approximately 9-12%

c. Consumer finance companies
(1) Specialize in small loans
(2) Loans available to greater credit risks
(3) APR: approximately 12-36%

d. Savings and loan associations
(1) Loans limited to mortgages and home improvement
(2) APR: approximately 7-12%

e. Life insurance
(1) Cash surrender value of policy
(2) Reduces insurance coverage
(3) No repayment schedule
(4) APR: approximately 5-7½%

f. Other sources
(1) Loan sharks
(2) Pawnbrokers
(3) Individuals

II. Obtaining credit

A. Credit-ability
1. Character
2. Capacity
3. Capital

B. Credit applications
1. Personal information
2. Employment data
3. Personal history
4. Credit history
5. Public record information

C. Credit records
1. Rating
2. Credit bureaus
a. Files on credit users
b. Confidentiality
c. Consumer rights

III. Credit costs

A. APR

B. Dollar cost of credit

C. Cost factors
1. How much is borrowed
2. How long the loan is for
3. How high the interest rate

IV. Too much credit

A. Action plan
1. Contact creditors
2. Borrow to pay off creditors
3. Utilize credit counseling service
4. Bankruptcy

- B. A safe amount for credit
    - 1. No more than 1/3 of yearly discretionary income
    - 2. No more than 10% of take-home pay can pay off in 12-24 months
    - 3. No more than 20% of yearly take-home pay

V. Consumer protection

- A. Legislation
    - 1. Truth in Lending
        - a. "Consumer Protection Act"
        - b. Basic law governing credit
        - c. Prohibits discrimination
        - d. Requires disclosure of all terms on contracts
            - (1) Finance charge
            - (2) APR
            - (3) Other conditions of sale
    - 2. Regulation Z
        - a. Interpretation of the Truth in Lending Law
        - b. Provisions
            - (1) Purpose
            - (2) Penalties
            - (3) Definitions
            - (4) Forms to be used
            - (5) Required information
            - (6) Advertising
            - (7) "Cooling-off" provisions
    - 3. Fair Credit Reporting Act
        - a. Regulates the use of personal credit information
        - b. Confidentiality of records
        - c. Consumer rights
            - (1) Review of file
            - (2) Notification
            - (3) Correction of errors

- B. Credit cards
    - 1. Guard against loss
    - 2. Liability limit of $50

- C. Unfair credit practices
    - 1. Local, state and national agencies
        - a. Better Business Bureau
        - b. Legal Aid Society
        - c. State Attorney General
        - d. National Credit Union Administration
        - e. Newspapers
        - f. Chamber of Commerce
        - g. Small Claims Court
        - h. District Attorney
        - i. Radio/TV stations
    - 2. Federal agencies
        - a. Federal Trade Commission--Bureau of Consumer Frauds
        - b. U.S. Post Office
        - c. President's Special Assistant for Consumer Affairs
        - d. President's Committee on Consumer Interest

Student Objectives

1. Given a password and several definitions, the student will select the alternative which defines the password.

2. Given several alternatives, the student will select the alternative which defines and/or describes credit.

3. Given a realistic situation, the student will determine whether or not the situation is an example of credit.

4. Given several alternatives, the student will identify the principal advantage(s) of credit.

5. Given several alternatives, the student will identify the principal disadvantages(s) of credit.

6. Given several alternatives, the student will identify the mathematical description of the dollar cost of credit.

7. Given a realistic situation involving a credit purchase, with or without extraneous mathematical information, the student will calculate the dollar cost of credit.

8. Given several alternatives, the student will identify the annual percentage rate as the best way to compare alternative credit arrangements.

9. Given several alternatives, the student will select the definition of annual percentage rate.

10. Given several alternatives, the student will identify sources of loans.

11. Given several loan sources, the student will identify the source of offering the lowest interest rate

12. Given several alternatives, the student will identify types of credit accounts.

13. Given several alternatives, the student will identify the thirty-day charge account as costing the consumer the least for its use.

14. Given several alternatives, the student will identify methods of protecting a good credit rating.

15. Given several alternatives, the student will identify criteria for determining eligibility for credit.

16. Given several alternatives, the student will identify the purpose of local credit bureaus.

17. Given several alternatives, the student will identify the services not offered by local credit bureaus.

18. Given several alternatives, the student will identify signs which possibly signify abuse of credit cards.

19. Given several alternatives, the student will identify ways in which credit cards can be obtained legally.

20. Given several alternatives, the student will identify ways in which consumers are affected by the Truth in Lending and the Fair Credit Reporting Act.

21. The student will be able to complete a credit application.

Introductory Activities

Generalizations	Activities	Resources
Credit has both advantages and disadvantages for the modern credit consumer.	1. Administer *Ch.a.r.rge!!* test as a Pre-test.	* Test Teacher PAL
	2. Utilize an audio-visual approach to define credit.	+ The Consumer and Credit (sound filmstrip) Current Affairs + Consumer At Large, "Cash or Credit" (sound filmstrip) Coronet Multimedia Company + Interact, "Will It be Cash or Charge?" (sound filmstrip and student booklets) Pitman Publishing + Personal Money Management, "Using Credit as A Tool" (cassette tape and transparencies) Paul S. Amidon
	3. Develop a class definition of credit. Write "What is Credit?" on chalkboard or overhead transparency. Encourage one-sentence answers.	* Specialized Vocabulary Teacher PAL

Generalizations	Activities	Resources
	4. Explore students' current understanding of credit. Discuss who uses credit; the history of credit. Assign students to explore the history of credit for a report to class later in the study.	* Transparency Master #1 Teacher PAL
	5. Collect materials for bulletin board displays on credit: Credit advertising Credit applications Loan agreements Promissory notes Installment contracts "Budget" sales plans of local retail or discount stores Periodical articles on credit "Yellow pages" listings	+ *Consumer Credit: The Forms of Credit We Use* (reprints) National Foundation for Consumer Credit

Developmental Activities

Activities	Resources
1. Utilize **WHAT IS CREDIT?**	* Student PAL, pp. 3-24
2. Discuss class reactions to the statement, "We're in the 'Charge It' Age."	
3. Explore student opinions of credit. List three major statements about credit: Credit is bad -- always pay cash. Credit is necessary in many situations. Credit should be used as often as possible. Suggest that each student determine which statement most nearly matches his own feelings today. Re-evaluate these feelings at the end of the study.	+ Buying on Credit (16 mm film - Film Guide #1) Coronet Multimedia Company
4. Outline the evolution of credit in our society, emphasizing the movement from cash to charge.	
5. List examples of credit. Determine what use of credit is made by class members and their families.	* Student Activity Sheet #1 Teacher PAL
6. Discuss the benefits of consumer credit: The savers: Interest The borrowers: Use of goods Society: Increased production of goods Employment Lower costs	* Transparency Master #2 Teacher PAL

Activities	Resources
7. Discuss the advantages and disadvantages of using credit.	* Transparency Master #3 Teacher PAL + Consumer Education: Installment Buying (Film Guide #2) + Retail Credit Buying (16 mm films) BFA Educational Media
8. Emphasize the fact that credit is used in three basic types of purchases: Goods Services Money List several examples of each.	* Transparency Master #4 Teacher PAL
9. Discuss the main reasons for buying credit. Emphasize (1) It allows for the purchase of costly goods before the total purchase price has been saved. (2) Such purchasing helps establish a credit rating.	+ Getting Your Money's Worth, Group I - "Making Credit Work for You" (sound filmstrip) Society for Visual Education
10. Define the two types of credit: Sales or Purchase Credit Cash Loan or Borrowing Credit	* Transparency Master #5 Teacher PAL
11. Discuss the characteristics of types of sales or purchase credit.	* Student Activity Sheet #2 Teacher PAL + Credit Buying Series (sound filmstrips) Interpretive Education + So You Want to Use Credit, Situation Two (multi-media kit) Changing Times Education Service

Activities	Resources
12. Discuss the characteristics of types of cash loan or borrowing credit.	* Transparency Master #6 Teacher PAL * Student Activity Sheets #3 and #4 Teacher PAL
13. Prepare a bulletin board illustrating various local credit and lending institutions.	
14. Discuss mail-order loans. Collect examples of advertising from newspapers and periodicals. Emphasize the types of loans available and that costs are high.	
15. Discuss student membership in credit unions. Membership possibilities include: Parents who are members Students employed part-time by a firm offering credit union privileges Teacher credit unions allowing student members Local community or open charter credit unions	
16. Develop guidelines for the wise use of charge accounts. Include cautions for credit card holders to remember.	+ Credit Cards (16 mm film - Film Guide #3) Churchill Films + World Without Money (16 mm film) Walt Disney Educational Media Company
1. Utilize ***HOW DO I GET IT?***	* Student PAL, pp. 25-44

Activities	Resources
2. Discuss the "3 C's of Credit." Develop questions to clarify the meanings of each measure: Character: Is he a stable, reliable person who really tries to meet all his obligations? Capacity: Is it likely that his income will either remain stable or increase during the life of the loan? Capital: Will he be able to make payments for this and all his other obligations?	* Transparency Master #7 Teacher PAL
3. Evaluate the "6 C's of Credit." Character Collateral Capacity Conditions Capital Common Sense Discuss how the additional 3 C's apply when a person is considered for a loan.	
4. Ask students to give illustrations to prove that size of income alone is not enough information to evaluate credit risk. Situations might include a borrower with a $10,000 income who is a better credit risk than a borrower with a $15,000 income.	
5. Collect as many credit applications from as many credit sources as possible. Discuss the kinds of questions asked and why they are necessary. Classify each type of question as to whether it applies to Character, Capacity, or Capital.	* Student Activity Sheet #5 Teacher PAL
6. Practice filling out a credit application form. Discuss whether students feel the questions are reasonable and necessary or an invasion of privacy. Ask whether students consider themselves a good credit risk. Ask two groups of students to fill out different forms for imaginary persons--one a good credit risk, the other a poor credit risk.	* Student Activity Sheet #6 Teacher PAL + So You Want to Use Credit, Situation One (multi-media kit) Changing Times Education Service

Activities	Resources
7. Survey local credit granters on their policies for granting credit to young people.	
8. Try to obtain scoring systems used by various lenders.	
9. Develop a series of cartoons depicting the relationship between borrowers and creditors.	
10. Invite local resource persons to speak on credit accounts which are available in their stores or businesses and the information necessary for making application.	Local Resource Person
11. Review and discuss the steps necessary in applying for credit.	+ Applying for Credit (sound filmstrip) Interpretive Education + Measuring and Using Our Credit Capacity (reprint) National Foundation for Consumer Credit, Inc.
12. Discuss credit records and the factors in a "good credit rating."	+ How to Establish Your Credit-Ability (reprints and transparency) Changing Times Education Service + Making the Most of Your Money, "A Good Credit Rating" (sound filmstrip) Educational Activities, Inc.
13. Discuss: What are the consequences of a bad credit rating?	
14. Outline the roles of credit bureaus in the granting of credit. Emphasize that credit applications are generally sent to local credit bureaus for verification. Visit a local credit bureau, if possible.	Local Credit Bureau

Activities	Resources
15. Emphasize how important it is for the consumer to know what he is signing.	+ Consumer Contracts (Learning Activity Package) Unigraph Products + Consumer Sense, "Before You Sign" (cassette tape and response book) Coronet Multimedia Company + Making the Most of Your Money, "Points to Know About Contracts" (sound filmstrip) Educational Activities, Inc. + Personal Money Management, "Credit Instruments" (cassette tape and transparencies) Paul S. Amidon + Read Before You Write (16 mm film - Film Guide #4) FilmFair Communications + Your Credit Is Good -- A Film about Paying Later (16 mm film - Film Guide #5) Journal Films, Inc.
16. Discuss the meaning of: "Your Signature Is Your Pledge."	
17. Invite a local attorney or law student to explain student rights and liability in credit contracts. (Many students have already entered into contracts with record clubs, book clubs, etc.)	Local Resource Person

Activities	Resources
18. Compare various credit contracts. Obtain copies of actual installment contracts and loan applications. Compare wording, various clauses and conditions. Suggest that a group of students display these copies and provide labels for various sections.	
19. List credit pitfalls to avoid in contracts. Define and point out the possible difficulties the consumer might incur from: Late charges Credit Life Insurance Acceleration clauses Balloon clauses Locate each of these areas in contract copies.	
20. Develop a list of consumer questions to use before every credit purchase. Questions might include: Is the item *needed* or just *wanted*? Is it worth paying *more* money to get it? Will its value *outlast* the payments? Do I have a *savings* program? Do I need it right *now*? Will the payments cause money *problems*?	* Transparency Master #8 Teacher PAL
1. Utilize **HOW MUCH?**	* Student PAL, pp. 45-56
2. Discuss APR: The Annual Percentage Rate is the cost of credit expressed in percentage. APR can help the consumer compare costs.	
3. Practice finding the Dollar Cost of Credit by using examples of credit purchasing.	* Student Activity Sheet #7 Teacher PAL

Activities	Resources
4. Evaluate the cost factors of credit: How much How long How high the interest Discuss the effect each factor has on cost.	* Transparency Master #9 Teacher PAL
5. Ask students to rank order factors which would influence their selection of a credit plan: Size of monthly payments Number of monthly payments How new amounts are added to the account Method of computing interest charges Dollar amount of finance charges APR	
6. Illustrate the fact that every credit purchase is two purchases: The item itself and the money or credit to pay for the item.	
7. Discuss factors to remember when "Shopping for Credit."	+ Consumer Studies, "The Price of Credit" (sound filmstrip) Guidance Associates + Personal Money Management, "The Cost of Credit" (cassette tape and transparencies) Paul S. Amidon
8. Practice "Shopping for Credit." A. Ask students to choose an article for purchase and compare the costs of purchasing this article on a revolving charge account, as an installment purchase, and with a bank loan. Students will need to find the best "deal" in town by showing the best price for the item and the best source of credit. Items listed might include:	

Activities

Bicycle
Boat
Dishwasher
Hair dryer
Instamatic camera
Lawn mower
Motorcycle
Portable TV
Sewing machine
Skateboard
Skis
Stereo
Surf Board
Tape recorder
Transistor radio
Typewriter
Used car
Washer

B. Compare the cost of credit for the purchase of a used car advertised in the local newspaper from each of the following credit sources:
    The used car lot
    A full service bank
    A finance company
    A credit union

C. Research the service charge methods used by such national credit cards as American Express, Diner's Club, Master Card, VISA, etc.

9. Compute the monthly charges on a statement for a revolving charge account.
    Obtain a copy of someone's monthly statement.
    Project it for the class and discuss the information shown.
    Verify the figures.

10. Develop an understanding of the four basic types of interest quoted by lending institutions:
    Simple Interest
    Interest on the unpaid balance
    Add-on interest
    Discounted interest

11. Emphasize the importance of paying more than the minimum due on a revolving charge account balance.
A sufficient example of the cost:
    With a $600 balance, nothing more added to the account,
    and the minimum amount required paid each month---
    It would take almost 3½ years to repay, and the interest
    charge would be $116.15.

Resources

= Shopping for Credit
(16 mm film)
Modern Talking Picture Service

* Student Activity Sheet #8
Teacher PAL

Activities	Resources

12. Suggest that interested students research refund methods used by local lenders.

Illustrate a common refund method in consumer credit--"78th" method.
- When a loan is repaid early, most consumers expect to save or have refunded most of the interest costs, but:
    - The 78th method is based on the fact that the sum of the digits from 1 to 12 is 78.
    - The first month of the contract, the lender earns 12/78 of his fee; the second month, 11/78; the third, 10/78, etc.
    - On a 24-month contract, the formula changes:
        - The sum of the digits from 1 to 24 is 300.
        - The lender earns 24/300 of the total the first month, 23/300 the second, etc.

(Other bookkeeping methods earn interest for the lender even more quickly. Many payments have been made before the principal is reduced noticeably.)

13. Develop a list to help consumers keep finance charges low.
Include:
    1. Make a *big* downpayment.
    2. Take a *short* time to pay.
    3. Shop to find *low* finance rates.

14. Review what charges "Finance Charges" may include:
    - Interest
    - Loan fee
    - Finder's fee or similar charge
    - Time price differential
    - Amount paid as a discount
    - Service, transaction or carrying charge
    - Points
    - Appraisal fee (except in real estate transactions)
    - Premium for credit life insurance, if required
    - Investigation or credit report

--Regulation Z

Activities

1. Utilize **TOO MUCH?**

2. Illustrate problems resulting from the use of too much credit by young people.

3. Discuss the results of credit "problems."
   What effect does "living beyond one's means" have on families, business, and society?
   Who really pays for bad debts?
   (Point out increased prices and interest rates for those with good credit ratings.)

Resources

* Student PAL, pp. 57-66

+ In the Box
(16 mm film - Film Guide #6)
FilmFair Communications

+ The Money Tree
(16 mm film - Film Guide #7)
AIMS Instructional Media
Services, Inc.

+ So You Want to Use Credit,
Situation Three
(multi-media kit)
Changing Times Education
Service

+ You'll Earn It
(16 mm film)
Modern Talking Picture
Service

+ Your Credit Is Good --
Unfortunately
(16 mm film - Film Guide #8)
Pyramid Films

Activities	Resources
4. Develop a class list of "Do's and Don'ts" for credit buying to guard against overspending.	
5. Discuss collection agencies (firms which specialize in collecting debts). Include: Agencies receive a portion of the amount they are able to collect Poor and low income consumers are most often the targets of collection agencies Problems of harassment; protection from harassment	
6. Evaluate the following statements: When you treat credit as a privilege, it can help you have more and enjoy more. Carelessly used, it can become a trap. You have a choice--either you can control credit or credit can control you. The choice is up to you. How a person spends his money is a matter of individual choice and based on his personal values and goals. There are no rules on what is a valid use of credit. Credit can help you have many of the things you want, but you can't have everything.	* Transparency Master #10 Teacher PAL
7. Develop a set of guidelines to aid the credit consumer in how to handle debt without "going under."	+ *Be Credit-Wise* (sound filmstrip) Money Management Institute + *BC-AD: Before Credit-After Debt* (sound filmstrip) Penn. State University

8. Develop the steps in an "Action Plan" for the consumer in credit trouble:
    - Contact creditors and explain, ask for different terms.
    - Borrow cash to pay off creditors.
    - Use a credit counseling service.
    - Declare bankruptcy.

9. Caution students concerning credit counseling services.
   Investigate:
    - Who sponsors the program
    - What, if any charges will be made
    - How the plan operates

   Large fees may be charged to pay bills without the benefit of consumer counseling.

10. Suggest no more than 20% of yearly take-home pay as a safe amount for credit. Use income examples to calculate credit limits for such consumers.

1. Utilize ***HELP!***

+ Before You Buy,
"Bankruptcy"
"People in Trouble with Credit"
(cassette tapes)
Consumer Communications, Inc.

+ When Do You Owe Too Much
(reprint and transparency)
Changing Times Education Service

* Student PAL, pp. 67-80

Activities	Resources
2. List the areas in which the credit consumer is in need of protection. Students might volunteer examples with which they are familiar. Credit "rip-offs" occur daily and many are documented in newspapers and magazines.	
3. Obtain copies of The Fair Credit Reporting Act, and The Truth in Lending Act. Free copies are available upon request. Both "Know Your Rights Under the Fair Credit Reporting Act--A Checklist for Consumers" and "Truth in Lending--Regulation Z" are excellent resources outlining consumer rights.	= Consumer Handbook to Credit Protection Laws = The Equal Credit Opportunity Act and Credit Rights in Housing = Truth in Lending--Regulation Z (pamphlets) The Federal Reserve System = Fair Credit Reporting Act - Public Law 91-508 (pamphlet) House Documents Room = Know Your Rights Under the Fair Credit Reporting Act--A Checklist for Consumers (Consumer Bulletin No. 7) = What Truth in Lending Means To You (pamphlet) Federal Trade Commission
4. Discuss what rules protect the consumer's credit rating.	+ New Rules That Protect Your Credit Rating (reprints and transparency) Changing Times Education Service
5. Develop a list of cautions for the credit card user to guard against theft and loss.	

Activities	Resources
6. Evaluate such services as the Credit Card Service Bureau. Do credit card users need a central clearinghouse for lost or stolen credit cards? Contact: Credit Card Service Bureau P.O. Box 1322 Alexandria, Virginia 22313	
7. Utilize copies of credit agreements and monthly statements to illustrate how the consumer is informed of his protection offered by legislation such as the Fair Credit Reporting Act, Truth in Lending, and Regulation Z.	
8. Investigate where to report consumer credit fraud in your community.	
9. List agencies which offer help to the credit consumer. Make two lists: Federal agencies Local, state and national agencies Discuss the types of services each agency offers and/or the types of problems with which they deal.	* Content Outline Teacher PAL
10. Utilize an audio-visual approach to emphasize the recourse available in cases of fraud.	+ Foot in the Door (Film Guide #9) This Is Fraud (Film Guide #10) (16 mm films) FilmFair Communications + So You Want to Use Credit, Situations 4 - 6 (multi-media kit) Changing Times Education Service

Review Activities

Generalizations	Activities	Resources
A review of: the meaning of credit its advantages and disadvantages kinds of credit costs of credit wise use of credit consumer credit protection better prepares the consumer to make wise credit decisions in the modern marketplace.	1. Discuss the students' current feelings about the statements: Credit is bad--always pay cash. Credit is necessary in many situations. Credit should be used as often as possible. Discuss why different credit consumers might agree with different statements because of their own credit experiences.	
	2. View a Consumer Survival Kit on credit.	+ Consumer Survival Kit, "All Charged Up" (video cassette) Maryland Center for Public Broadcasting
	3. Write and produce a skit on credit for presentation to other classes. Video-tape if feasible.	+ General Business Skits, "Using Credit Wisely" (booklet) South-Western Publishing Company
	4. Write and tape record a "Credit Hot Line" program of callers with problems who are given advice by the credit expert.	
	5. Play games which review the concepts of wise use of consumer credit.	+ Managing Your Money (a credit union game) CUNA Mutual Insurance Society
	6. Develop a consumer pamphlet on credit for use by students.	
	7. Devise games and puzzles to review the vocabulary of credit.	* Student Activity Sheet #9 Teacher PAL

Generalizations	Activities	Resources
	8. Review the student objectives for this module.	* Student Activity Sheet #10 Teacher PAL
	9. Administer *Ch.a.r.rge!!* test as a Post-test.	* Test Teacher PAL

General Resources – Addresses

AIMS Instructional Media
Service, Inc.
626 Justin Ave.
Glendale, CA 91201

BFA Educational Media
2211 Michigan Ave.
Santa Monica, CA 90404

Changing Times Education
Service
1729 H St., N.W.
Washington, D.C. 20006

Churchill Films
662 North Robertson Blvd.
Los Angeles, CA 90069

Consumer Communications, Inc.
The Peterson Company
1330 North Vine St.
Hollywood, CA 90028

Coronet Multimedia Company
65 East South Water St.
Chicago, IL 60601

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Credit Card Service Bureau
P.O. Box 1322
Alexandria, VA 22313

CUNA Mutual Insurance Society
5910 Mineral Point Road
P.O. Box 391
Madison, WI 53701

Current Affairs
24 Danbury Road
P.O. Box 398
Wilton, CT 06897

Educational Activities, Inc.
P.O. Box 392
Freeport, NY 11520

The Federal Reserve System
Washington, D.C. 20551

The Federal Trade Commission
6th & Pennsylvania Ave., N.W.
Washington, D.C. 20580

FilmFair Communications
10900 Ventura Blvd.
P.O. Box 1728
Studio City, CA 91604

Guidance Associates
757 Third Avenue
New York, NY 10017

House Documents Room
H 226
U.S. Capitol
Washington, D.C. 20515

Interpretive Education
400 Bryant St.
Kalamazoo, MI 49001

Journal Films, Inc.
930 Pitner Ave.
Evanston, IL 60202

Maryland Center for
Public Broadcasting
Owings Mills, MD 21117

Modern Talking Picture Service
5000 Park Street North
St. Petersburg, FL 33709

Money Management Institute
Prudential Plaza
Chicago, IL 60601

National Foundation for
Consumer Credit, Inc.
1819 H St. N.W., Suite 510
Washington, D.C. 20006

Paul S. Amidon and
Associates, Inc.
1966 Benson Ave.
St. Paul, MN 55116

Penn State University
University Park, PA 16820

Pitman Publishing
6 East 43rd St.
New York, NY 10017

Pyramid Films
Box 1048
Santa Monica, CA 90406

Society for Visual Education
1345 Diversey Pkwy.
Chicago, IL 60614

South-Western Publishing
Company
5101 Madison Rd.
Cincinnati, OH 45227

Unigraph Products
P.O. Box 24287
Seattle, WA 98124

Walt Disney Educational Media
500 South Beuna Vista St.
Burbank, CA 91521

Specialized Vocabulary

ACCELERATION CLAUSE	A provision that allows the creditor to request payment of all installments at once if one or more payments are missed
ADD-ON CLAUSE	A provision that allows the consumer to add additional purchases to an existing installment contract
APR	Annual Percentage Rate; rate of finance charges figured on an annual or yearly basis
ASSET	Possession; anything owned that has exchanged value
ATTACH	To take by legal authority
BALLOON PAYMENT CLAUSE	A blown-up final payment in a credit contract; may be many times larger than the size of other payments
BANK	An establishment for receiving, keeping, lending and issuing money
BANKRUPTCY	A legal proceeding that frees the consumer from debts he is unable to pay
CAPACITY	Ability to pay obligations
CAPITAL	Financial resources; money and property
CHARACTER	Reputation
CHARGE ACCOUNT	The privilege of using credit in making purchases in a retail store

CHATTEL	Any property other than real estate
CHATTEL MORTGAGE	A loan secured by personal property or goods and chattels
COLLATERAL	Anything of value which guarantees the payment of a loan; security; collateral may be taken if loan is not repaid
CONFIDENTIAL	Secret; told in confidence
CONSUMER PROTECTION ACT	Truth In Lending Act
CONTRACT	Written agreement that says how you will repay the loan
CO-SIGNER	A person who agrees in writing to pay a debt if the borrower does not
CREDIT	The system which allows consumers to obtain goods, services, or money and to pay at a later date
CREDIT-ABILITY	An individual's willingness and ability to meet his financial obligations
CREDIT ALLOWANCE	The amount of credit a consumer should be able to handle
CREDIT APPLICATION	A form completed by the consumer when he wants to use credit
CREDIT BUREAU	A clearing house or reporting service which provides information as to the credit worthiness of consumers
CREDIT CARD	An identification card which establishes the fact that you are entitled to use credit at specific outlets for specific purposes

CREDIT COUNSELING	Aid given to the consumer which includes organizing finances and arranging repayment schedules
CREDIT HISTORY	A record of a consumer's use of credit, especially his past record of meeting credit payments
CREDIT LIFE INSURANCE	Life insurance which provides for full payment of a loan in the event the borrower dies
CREDIT LIMIT	The maximum dollar amount which can be charged
CREDIT RATING	An evaluation of a consumer's qualifications to receive credit; based on several factors, especially the past record of meeting credit payments.
CREDIT RECORD	A history of credit performance
CREDIT UNION	An organization of persons who band together for the purpose of saving money and lending money to each other at a low interest rate
CREDITOR	One to whom a debt is owed
DEBIT	Charge
DEBT	Something owed
DEBT CONSOLIDATION	Plan for paying many creditors by borrowing enough money to repay them all while repaying the loan over a longer period of time
DEBTOR	One who owes money
DISABILITY INSURANCE	Insurance which makes loan payments for a borrower for as long as he is disabled

DISCLOSURE	Made known or public
DISCRETIONARY INCOME	Income remaining after necessities such as shelter, food, and clothing have been provided
DISCRIMINATION	Judgment based on membership in a group instead of individual merit
DOLLAR COST OF CREDIT	Finance charge; difference between the cash and credit cost of an item
DOWNPAYMENT	A cash payment made on a credit purchase before the credit balance is figured
EQUAL CREDIT OPPORTUNITY ACT	The federal regulation which prohibits the use of discrimination against credit applicants
FAIR CREDIT REPORTING ACT	The federal law which regulates the use of personal credit information by consumer reporting agencies, creditors, and employers
FINANCE COMPANY	A business firm whose chief activity is to make cash installment loans to individuals
GARNISHMENT OF WAGES	A legal action by which part of a debtor's wages may be ordered paid to a creditor
IMPULSE BUYING	Buying without prior planning; spur-of-the-moment purchasing
INSTALLMENT	One of a series of payments to pay off a debt
LOAN SHARKS	Illegal, unlicensed money lenders who charge extremely high interest rates

MORTGAGE	A pledging of real property to a creditor as security for the payment of a debt
OUTSTANDING	Owed
PAWNSHOP	A business establishment which lends cash for items of personal property which are left as security
PREPAYMENT PRIVILEGE	The right of the consumer to pay off a debt in advance of the due date
PROFESSIONAL SERVICES	Personal services provided by doctors, dentists, accountants, lawyers, etc.
QUALIFICATIONS	Requirements
REGULATION Z	The Federal Reserve Board's interpretation of and detail of how creditors must carry on their business under the Truth in Lending Law
REPOSSESS	Take back
REPOSSESSION	The taking back of goods by either the seller or lender when the consumer is not able to make payments
REQUIREMENTS	Qualifications
SAVINGS AND LOAN	Financial establishment which specializes in home mortgage and home improvement loans; such loans are made available because of savings dollars on deposit

SECURITY	Collateral; something of value pledged
SERVICE CHARGE	"Handling charge" -- a fee charged for services performed; amount charged for use of credit
STANDARD OF LIVING	The level of necessities, comforts, and luxuries enjoyed or desired by an individual or group
TERMINOLOGY	Technical terms; words having special meanings in credit contracts
3 C's OF CREDIT	The basis of credit worthiness or creditability; character, capacity, capital
TOO-MUCH-FEVER	The all-too-common problem of using too much credit
TRUTH IN LENDING ACT	Basic law governing those who deal in credit; includes regulations against discrimination and guidelines for disclosure; also often referred to as the Consumer Credit Protection Act
UTILITIES	Public services such as power, water, sewerage, and telephone
WAGE-EARNER PLAN	A provision of the federal Bankruptcy Act which allows the debtor to pay off his obligations without having to declare bankruptcy

Film Descriptions

BUYING ON CREDIT (13 minutes) - Coronet, 1977 FILM GUIDE #1

Three young men discuss their credit experiences. The film introduces such credit terms as finance charges, bank loans, down payments, interest and installment payments and defines the three C's of credit: character, capacity and capital.

CONSUMER EDUCATION: INSTALLMENT BUYING (13 minutes) - BFA Educational Media, 1968 FILM GUIDE #2

This film is a vivid dramatization of the benefits and dangers of purchasing commodities on an installment plan. Through the medium of viewing two sisters involved in the purchase of a car, every facet of installment buying is explored. Down payments, interest charges, maximum loan limits and many other important factors are studied.

CREDIT CARDS (22 minutes) - Churchill, 1977 FILM GUIDE #3

Nettie Mooselock inducts one of her naive boarders into the credit world in a very funny film which imparts a great deal of practical information. Included are different kinds of credit cards, the problems of getting the first one, how credit cards are used, dangers of overextension, costs, and lost cards.

FOOT IN THE DOOR (9 minutes) - FilmFair, 1972 FILM GUIDE #9

A potential victim of consumer fraud tells how a door-to-door salesman tried to sell her a color TV at her home. During the dramatized situation, she tells how her awareness of fraud came about because as a resident of a low-income housing project, she had been victimized by a similar pitch a year earlier. Her alertness in the present case results in arrest of the salesman. The film continues with a police lieutenant, familiar with fraud, who describes several pitches that can entrap people (home improvement frauds, magazine sales, etc.), and lists basic questions to ask ourselves before signing a contract. Finally a baby picture saleswoman describes sales methods and some of her psychological tricks. The film closes as the door opens and the baby picture saleswoman begins to "pitch" the viewing audience.

IN THE BOX (14 minutes) - FilmFair, 1976 FILM GUIDE #6

Two young people, Phil and Betty, meet inside a box that is symbolic of the financial crisis each is in. The box is manned by automation-like men who intone contract legalese and threaten action by creditors as the two sit, frightened and shamed, inside the box. Flashbacks reveal how Phil, through illness, and Betty, by losing her job, got "boxed in" financially. The two are given a "parole" to seek help. They find it through Chapter XIII of the federal bankruptcy law and through a community-based credit counseling center. They are finally freed from the box with an understanding of how to solve the present crisis and how to better manage their credit in the future.

MONEY TREE (20 minutes) - AIMS, 1972 FILM GUIDE #7

The Money Tree is a tragedy -- but so are all broken marriages, especially when those affected are young, in love, and have the highest hopes and the brightest futures. Jerry and Ann, an attractive youthful couple "had it made" at the time of their marriage. They were healthy, happy, very much in love, both employed and confident about the future. Within two years after the wedding, they were deeply in debt, unemployed, parents of a child, fighting bitterly, and in the process of divorce. They are still not certain "what went wrong." In reviewing the marriage, a pattern revealing habits of financial mismanagement begins to emerge. Each part of the pattern (vague materialistic values and desires, instant gratifications, use of credit, failure to read contracts, impulse purchasing, and susceptibility to advertising) contributes to getting them deeper and deeper in dept.

READ BEFORE YOU WRITE (7 minutes) - FilmFair, 1972 FILM GUIDE #4

A young couple considers a typical installment purchase (a TV set) and learns to really examine a contract before they sign it. Inside the store, the couple is about to sign a contract when a consumer education program appears on "their" TV. It explains what a properly drawn installment contract should include such as specific description of the purchase, written confirmation of special aspects of the sale, details on interest and other charges, how to renegotiate the contract, etc. The salesman winces and the couple listens. Their final decision to shop for better credit terms is made when the wife's arithmetic shows the high cost of low payments.

RETAIL CREDIT BUYING (11 minutes) - BFA Educational Media, 1968

A charge plate can very definitely become a major spending hazard. It's so easy. Two sisters learn this the hard way. Father shows them the right way to compute credit charges, the money paid in interest charges, and all the various facets of buying on credit. They learn credit buying can be an asset, not a liability.

SHOPPING FOR CREDIT (13 minutes) - Modern Talking Picture Service, 1977

A college class shops for credit. Loan sharks, finance companies, banks, auto dealers, credit unions and pass book loans are explored with widely varying interest charges. This film demonstrates that it pays to shop around for credit and financing and stresses that APR is the only way to compare when shopping for money.

THIS IS FRAUD (8 minutes) - FilmFair, 1972 FILM GUIDE #10

A car advertised on TV has "just been sold," and the customer is steered to more costly buys -- the old "Bait and Switch" technique. A door-to-door vacuum cleaner salesman discreetly spills additional dirt on the floor to make his machine seem better. A woman reminds a contractor that he said his stucco job would last "as long as the house" -- he says there is nothing like that in the contract she signed. The methods of recourse for such common consumer fraud cases are described -- e.g., trade association offices, small claims court, licensing bureau, district attorney's office, legal aid society, etc. Using three of the cases dramatized, the film underscores how certain danger signals in each case could have helped stop the fraud before it happened.

WORLD WITHOUT MONEY (14 minutes) - Walt Disney Educational Media Company

The history of money as a means of exchange is traced from the use of sea shells and stones through coins, currency, and bank checks to the ubiquitous credit card. This animated film outlines constructive consumer patterns and acquaints students with the economic concepts underlying the institution of credit cards.

YOU'LL EARN IT (24 minutes) - Modern Talking Picture Service

A real-life look at the problems encountered by young people entering the adult world of financial responsibility. Documented case studies illustrate the need for wise management of the personal fortune the young adult can expect to earn during his working lifetime.

YOUR CREDIT IS GOOD - A FILM ABOUT PAYING LATER (15 minutes) - Journal, 1973 FILM GUIDE #5

The film opens with a carefully laid-out sequence of artwork describing how installment buying works. Then in a series of dramatic vignettes the message is driven home that no matter what you think you've been promised verbally, no matter how good or easy it sounds -- you pay what it says on the paper. You have to watch out for yourself, and the time to do that is before you've signed anything.

YOUR CREDIT IS GOOD ... UNFORTUNATELY (10 minutes) - Pyramid Films FILM GUIDE #8

Offered alluring bargains by seemingly congenial salesmen, a recently married couple purchase many household goods on credit and later discover what can happen when monthly installments approach the limit of earning. Only a few dollars a week on a few items can add up to trouble.

INSTRUCTIONAL AIDS

CLASSROOM TEACHERS ARE AUTHORIZED TO
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Ch..a..r..r..ge!!

CHOOSE THE BEST ANSWER FOR EACH STATEMENT OR QUESTION.

1. Collateral is
   - A. the act of a person being legally declared unable to pay his debts.
   - B. a legal agreement between two or more people to do something.
   - C. anything of value which guarantees payment of a debt.
   - D. information offered by a person seeking credit.

2. Which of the following statements is a true statement about credit?
   - A. Credit is paying for the privilege of using an item before it is paid for.
   - B. Credit is a belief, a faith, and a trust in the ability and intention of a person to pay later for something that he wants or needs right now.
   - C. Credit is a medium of exchange, just like money.
   - D. All of the above.

3. Which of the following is NOT an example of credit?
   - A. Making a telephone call
   - B. Putting a bike on layaway
   - C. Borrowing money to buy a car
   - D. Using utilities

4. Which of the following is an advantage of buying on credit?
   - A. Ties up future wages
   - B. Homes can be mortgaged
   - C. Collateral can be lost
   - D. Repossession of purchases

5. Which of the following is a disadvantage of buying on credit?
   A. Future income is spent
   B. Use now, without having to pay now
   C. Higher standard of living for credit users
   D. Credit aids the economy

6. The dollar cost of credit is
   A. the amount of each payment.
   B. the total amount paid for an item on credit.
   C. the rate of interest charged for using credit.
   D. the difference between the total amount paid on credit and the cash price of the item.

7. Mr. C. Saw found a boat, motor, and trailer on sale for $1,500 at the marina. The salesman required $100 down payment and monthly payments of $100 for two years. What is the dollar cost of credit?
   A. $ 100
   B. $1,000
   C. $1,500
   D. $2,500

8. The best way to compare different financial arrangements when shopping for credit is to compare
   A. the annual percentage rate.
   B. the dollar cost of credit.
   C. the down payment and the amount of each payment.
   D. all of the above.

9. The Annual Percentage Rate is the
   A. yearly finance charge.
   B. percentage of the total price paid in one year.
   C. yearly rate of interest charged for using credit.
   D. difference between the total amount paid on credit and the cash price of the item.

10. Loans can be made with each of the following EXCEPT
   A. pawn shops.
   B. credit unions.
   C. credit bureaus.
   D. finance companies.

11. When seeking a loan, the lowest interest rates are available at your
   A. bank.
   B. credit union.
   C. finance company.
   D. savings and loan.

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12. Which of the following ways to make purchases are credit accounts?
    - A. Credit cards, certified checks, revolving accounts
    - B. Credit cards, installment accounts, travelers checks
    - C. Credit cards, installment accounts, revolving accounts
    - D. All of the above

13. Which of the following usually costs the consumer the least for its use?
    - A. Credit card
    - B. Thirty-day charge account
    - C. Installment account
    - D. Revolving account

14. In order to protect a good credit rating you should
    - A. never charge more than you can pay in cash.
    - B. fulfill all terms of a credit agreement.
    - C. maintain a good employment record.
    - D. do all of the above.

15. When a person applies for credit, which of the following information is usually considered?
    - A. Applicant's sex, race, and credit record
    - B. Applicant's age, race, and marital status
    - C. Applicant's age, income, and credit record
    - D. Applicant's common sense and the economic conditions of the country

16. The purpose of a credit bureau is to do all of the following EXCEPT
    - A. make loans to members.
    - B. maintain files on credit users.
    - C. gather information on those who use credit.
    - D. act as a clearing house for credit information.

17. The services offered by credit bureaus include
    - A. providing information about consumers to businesses.
    - B. providing information about consumers to employers.
    - C. sending letters of support for consumers.
    - D. all of the above.

18. Which of the following does NOT usually signal abuse of credit cards?
    - A. A bill does not agree with charge receipts.
    - B. A cashier returns the wrong card to you.
    - C. A cashier makes a phone call to get a code number.
    - D. A renewal card is late in arriving.

19. Credit cards can be obtained legally by
    - A. properly completing an application.
    - B. buying a stolen card.
    - C. failing to return a customer's card.
    - D. all of the above.

20. The Fair Credit Reporting Act says that
    - A. the consumer cannot be refused credit because of a credit report.
    - B. the consumer can review his credit file.
    - C. the consumer must be informed of the finance charge and the APR.
    - D. all of the above are true.

21. Mr. Lucas Jones has lived at 421 Sunset Drive, Sandy Spot, Florida, with his wife, Willie Mae, for 19 years. Mr. Jones has worked as a plumber for the Stopped Up Plumbing Co. (1595 N. Jefferson St., Beachball, Fla.) for seven years. Before that he worked as a plumber's helper for the Clogged Up Plumbing Co. (127 Northwest St., Peteberg Beach, Fla.) for ten months. He now makes $250 a week.

Mrs. Jones is an optician with a company called Optical Spectacles (17 N. First St., Beachball, Fla.). She has been employed there for three years and earns $1,000 a month.

The following is part of a credit application to be filled out for Mr. and Mrs. Jones.

Name of Employer____________________
Street Address____________________
City & State____________________
How Long with Present Employer____ Occupation____________ Pay____________ __wk. __mo. __yr.
Former Employer (if less than one year with present employer) ___X___
Address____________________ How Long?________
Name of Wife's Employer____________________
Address____________________ How Long________ Pay________ __wk. __mo. __yr.

Based upon the information given, what should appear in the space in the application marked X?

- A. Stopped Up Plumbing Co.
- B. Clogged Up Plumbing Co.
- C. Optical Spectacles
- D. Nothing - the space should be left blank

NAME ____________________

CLASS ____________________

DATE ____________________

Ch..a..r..r..ge!!

1 Ⓐ Ⓑ Ⓒ Ⓓ
2 Ⓐ Ⓑ Ⓒ Ⓓ
3 Ⓐ Ⓑ Ⓒ Ⓓ
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21 Ⓐ Ⓑ Ⓒ Ⓓ

Credit Poll

SURVEY PARENTS, NEIGHBORS AND OTHER ACQUAINTANCES TO COMPLETE THE FOLLOWING CHECKLIST.
YOU SHOULD INTERVIEW AT LEAST SIX PEOPLE.

- -

QUESTION: HAVE YOU EVER USED ANY OF THE FOLLOWING TYPES OF CREDIT? IF SO, PLEASE INDICATE BY CHECKING THE APPROPRIATE BOXES OF THOSE WHICH YOU HAVE USED.

- -

	INTERVIEWEE						
CREDIT SOURCE	1	2	3	4	5	6	TOTAL
BANK LOAN							
CREDIT UNION							
FINANCE COMPANY							
PAWNSHOP							
SAVINGS & LOAN							
LIFE INSURANCE LOAN							
CHARGE ACCOUNT							
CREDIT CARDS							
INSTALLMENT PAYMENTS							
FRIENDS							
OTHER SOURCES							

Student Activity Sheet #1
Credit

Sales or Purchase Credit

STUDY THE FOLLOWING LIST OF CREDIT SOURCES AND INFORMATION:

- Charge Accounts
- Commercial Bank
- Consumer Finance Company
- Credit Card
- Credit Union
- 18%
- Installment
- Loan Shark
- Open or Regular
- Savings and Loan
- 12%
- Utilities

WRITE THE TERM WHICH CORRECTLY MATCHES EACH DESCRIPTION BELOW:

_______________ Oldest and most popular type of charge account

_______________ Services provided on credit

_______________ Usual annual interest rate for charge accounts

_______________ Often used to pay for things while traveling

_______________ Credit sources specializing in home loans

_______________ Largest source of consumer credit

_______________ A poor source for cash loans

_______________ Only members may obtain cash loans here

_______________ Credit sources specializing in cash installment loans to individuals

_______________ May be "Open", "Revolving", or "Installment"

UTILITIES

CREDIT CARDS

CHARGE ACCOUNTS

SERVICES

Student Activity Sheet #2
Credit

Cash Loan or Borrowing Credit :

STUDY THE ILLUSTRATIONS OF LOAN SOURCES. THINK ABOUT THE BEST SOURCES FOR EACH TYPE OF LOAN ILLUSTRATED BELOW. WRITE THE NUMBERS OF THE BEST SOURCES UNDER EACH ILLUSTRATION.

BANK
1

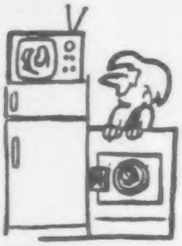
CREDIT UNION
2

FINANCE CO.
3

SAVINGS & LOAN
4

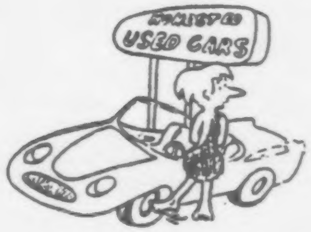
PAWNSHOP
5

LOAN SHARK
6



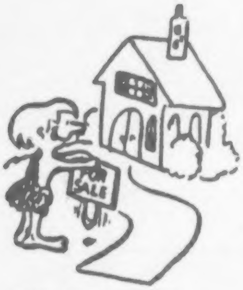
APPLIANCE LOANS

______



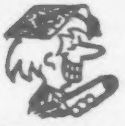
AUTOMOBILE LOANS

______



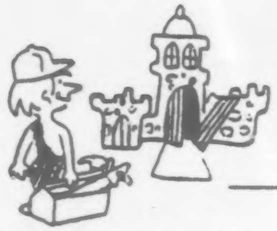
REAL ESTATE LOANS

______



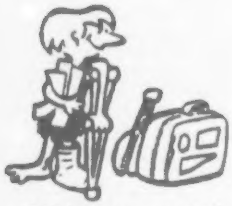
______

EDUCATION LOANS



______

HOME IMPROVEMENT LOANS



PERSONAL LOANS

______

WHICH TWO LOAN SOURCES SHOULD YOU NOT USE? ______

WHICH LOAN SOURCE WOULD NOT BE AVAILABLE TO ALL CONSUMERS? ______

ONE OF THE MOST IMPORTANT NEEDS FOR LOANS IS AN EMERGENCY. WHERE MIGHT YOU BE ABLE TO BORROW MONEY IN AN EMERGENCY SUCH AS AN ACCIDENT OR LOSS OF A JOB? ______

Cash Loan or Borrowing Credit

EACH LOAN SOURCE HAS BEEN LABELED WITH AN APPROPRIATE APR.
IMAGINE THAT YOU ARE BORROWING $1000 FROM EACH SOURCE FOR ONE YEAR.
ON THE LINE BELOW EACH SOURCE WRITE THE DOLLAR COST OF THE CREDIT FOR THE LOAN.
THE FIRST ONE IS DONE FOR YOU.

BANK
12%

$120

CREDIT UNION
9%

____

A TO Z FINANCE CO.

FINANCE CO.
24%

____

SAVINGS & LOAN
8½%

____

PAWNSHOP
36%

____

LOAN SHARK
800%

____

IF YOU HAVE COMPLETED ALL THE EXAMPLES CORRECTLY, THE DOLLAR COST OF CREDIT FROM ALL SOURCES WILL BE $8895.

CREDIT APPLICATION

3 C's OF CREDIT

THE KINDS OF QUESTIONS ASKED ON A CREDIT APPLICATION ARE TO INFORM THE CREDITOR ABOUT THE CHARACTER, CAPITAL, AND CAPACITY OF THE APPLICANT.

STUDY THE KINDS OF QUESTIONS ASKED ON THE SAMPLE APPLICATION AND DECIDE WHETHER IT IS A CHARACTER, CAPITAL, OR CAPACITY QUESTION.
IF IT IS A CHARACTER QUESTION, WRITE 1. IN THE BLANK.
IF IT IS A CAPITAL QUESTION, WRITE 2. IN THE BLANK.
IF IT IS A CAPACITY QUESTION, WRITE 3. IN THE BLANK.

Please Print

☐ Ms.
☐ Mr.
☐ Mrs.
☐ Miss ____________________

Date Opened	Limit	Interviewer
Own ☐ Rent ☐ Board ☐	Rent/Mortgage $	Authorizer Telephone

Social Security Number

Street Address ____________________

City & State ____________________ Zip Code __________

How long at present address __________ If less than 2 years, how long at previous address __________

If less than 2 years, give previous address ____________________
Street City State Zip

Name and address of employer ____________________

How long with present employer __________ Occupation __________ Earnings __________ ☐ Wk. ☐ Mo. ☐ Yr.

Former employer __________ Address __________ How long? ______
(if less than one year with present employer)

Other income and source ____________________

☐ Checking Acct.

☐ Savings Acct. Name of Bank ____________________ Address ____________________

Personal references

1. Name ____________________ Address ____________________
2. Name ____________________ Address ____________________

Charge Accounts/Loan References (Store/Company)	Address	Account Number	Balance	Monthly Payments

Student Activity Sheet #5
Credit

CREDIT APPLICATION

COMPLETE THE FOLLOWING APPLICATION FOR A LOAN.
USE YOURSELF, YOUR PARENTS, AN ACQUAINTANCE, OR AN IMAGINARY PERSON AS THE APPLICANT.
THEN REVIEW THE COMPLETED FORM. DECIDE HOW WELL THE APPLICANT WOULD QUALIFY FOR A LOAN FROM THE SEAMSEASY CREDIT COMPANY.

Please Print

☐ Ms.
☐ Mr.
☐ Mrs.
☐ Miss ____________________

Date Opened	Limit	Interviewer
Own ☐ Rent ☐ Board ☐	Rent/Mortgage $	Authorizer Telephone

Social Security Number

Street Address ____________________

City & State ____________________ Zip Code __________

How long at present address __________ If less than 2 years, how long at previous address __________

If less than 2 years, give previous address ____________________
Street City State Zip

Name and address of employer ____________________

How long with present employer __________ Occupation __________ Earnings __________ ☐ Wk. ☐ Mo. ☐ Yr.

Former employer __________ Address __________ How long? ____
(if less than one year with present employer)

Other income and source ____________________

☐ Checking Acct.

☐ Savings Acct. Name of Bank __________ Address __________

Personal references.

1. Name __________ Address __________
2. Name __________ Address __________

Charge Accounts/Loan References (Store/Company)	Address	Account Number	Balance	Monthly Payments

DOLLAR COST OF CREDIT*

PRACTICE FINDING THE DOLLAR COST OF CREDIT BY COMPLETING EACH OF THE EXAMPLES BELOW:

1. ED TUCKER BORROWED $300 FROM A SMALL LOAN COMPANY AND PAID $32.00 A MONTH FOR 12 MONTHS.

   WHAT WAS THE DOLLAR COST OF THE LOAN? ________________

2. RUDY YORK FINANCED HIS NEWLY PURCHASED USED CAR AT THE LOCAL BANK. WITH NO DOWNPAYMENT, THE CAR COST $1000 AND WAS TO BE PAID OFF IN 12 MONTHS AT $92.00 A MONTH.

   WHAT WAS THE DOLLAR COST OF RUDY'S LOAN? ________________

3. ANNIE B. WISE BOUGHT A USED CAR VALUED AT $1800. UNDER THE TERMS OF HER LOAN, SHE MADE A DOWNPAYMENT OF $600. THE BALANCE WAS TO BE PAID IN 12 MONTHLY INSTALLMENTS OF $109.

   WHAT WAS THE ACTUAL DOLLAR COST OF THE CREDIT? ____________

4. THE HAZZARDS HAVE DECIDED TO BUY A TV SET ON THE INSTALLMENT PLAN. THE SET THEY WANT COSTS $225. THE DEALER HAS OFFERED IT TO THEM FOR $20 DOWN AND $5 PER WEEK FOR FIFTY WEEKS. THEY THINK THIS MAKES THE SET RATHER EXPENSIVE.

   CALCULATE WHAT THE SET WILL COST THEM. ________________

   WHAT IS THE DOLLAR COST OF THE CREDIT? ________________

***remember:**

NUMBER OF INSTALLMENTS × AMOUNT OF EACH PAYMENT − CASH PRICE OF ITEM =

DOLLAR COST OF CREDIT

Student Activity Sheet #7
Credit

5. COMPLETE THE FOLLOWING TABLE CONCERNING A RECENT TV SALES PROMOTION IN ATLANTA, GEORGIA. ALL MONTHLY PAYMENTS ARE TO RUN FOR 12 MONTHS.

TV SET	ORIGINAL PRICE	SALE REDUCTION	SALE PRICE	DOWN PAYMENT	BALANCE DUE	MONTHLY PAYMENTS	TOTAL PRICE OF TV	DOLLAR COST OF CREDIT
1	$620	$50		$142.50		$40.00		
2	$840	$65		$193.75		$52.80		
3	$460	$35		$106.25		$33.00		
4	$1100	$90		$252.50		$70.00		
5	$580	$45		$133.75		$39.00		

Student Activity Sheet #7
Page 2
Credit

51

INTEREST CAN BE QUOTED FOUR WAYS

1 SIMPLE INTEREST

Interest charge is added to a loan that is paid with a single payment.
Loan and interest are paid at the same time.
Loans of this type generally are made only to businessmen.
$100 borrowed at 7% would be paid back at the end of the year.
$100 + 7% = $107

2 INTEREST ON THE UNPAID BALANCE

Interest charge is computed and collected each time payment is made.
Finance charge is figured monthly as a percentage of the unpaid balance and is added to the scheduled monthly payment.
A loan of $120 to be paid back in 12 months at the interest rate of 1% per month on the unpaid balance would mean $1.20 in interest the first month, $1.10 the second month, $1.00 the third month, etc.

3 ADD-ON INTEREST

Installment payments include the interest charges.
Interest charge is added to the amount borrowed.
The total amount of a $100 loan at 8% is $108 to be paid in 12 payments of $9 each.

4 DISCOUNTED INTEREST

Lender takes out the interest before giving the borrower the proceeds of the loan.
Lender receives the interest immediately. Borrower repays the total amount of the loan.
For a loan of $1000 with an interest rate of 7% discounted in advance, the borrower would receive $930. Total of payments to pay off the loan would amount to $1,000.

CH..A..R..R..GE!! WORDS

20 OF THE MOST IMPORTANT CREDIT TERMS FOR YOU TO REMEMBER ARE:

1. APR
2. Bankruptcy
3. Capacity
4. Capital
5. Character
6. Collateral
7. Credit
8. Credit application
9. Credit bureau
10. Credit counseling
11. Credit record
12. Credit union
13. Dollar cost of credit
14. Equal Credit Opportunity Act
15. Fair Credit Reporting Act
16. Installment
17. Repossess
18. Security
19. Service charge
20. Truth in Lending Act

USE THESE WORDS TO COMPLETE EACH OF THE FOLLOWING EXERCISES.
WRITE THE NUMBER OF THE TERM WHICH MATCHES EACH DESCRIPTION:

REGULATIONS

____ Makes it possible for a wife to obtain credit in her name, separate from her husband

____ Requires disclosure of both the dollar cost of credit and the annual percentage rate

____ Regulates the activities of credit reporting agencies

GETTING CREDIT

____ The system which makes it possible to get things now and pay later

____ Money and property; one of the "3 C's of Credit"

____ Ability to pay; one of the "3 C's of Credit"

____ Reputation; one of the "3 C's of Credit"

____ The form completed by a consumer who wishes to use credit

____ The "home" of credit records

____ The consumer's record of credit use

____ Collateral

DICTIONARY

_____ A guarantee for payment of a loan

_____ A source of credit for members only

_____ Aid given to the consumer who is in credit difficulty by one trained in organizing finances

_____ What the dealer does with the car you can't pay for

_____ The last resort for the consumer in credit trouble

COSTS

_____ "Handling charge"

_____ The difference between the cash and credit cost of an item

_____ Finance charges expressed on an annual basis as required by the Truth In Lending Act

_____ One payment of many

WRITE THE MESSAGE BY CHANGING NUMBERS* TO WORDS:

7 = (3+4+5) + 8 + 6

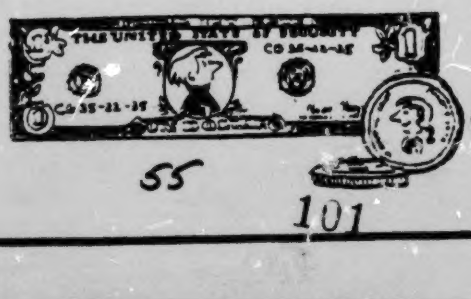
*(USE THE NUMBERS ON THE PREVIOUS PAGE.)

RENT
BILLS
CARDS

Ch..a..r..r..ge!!

NOW THAT YOU HAVE COMPLETED THE ACTIVITIES IN THE CREDIT PAL, YOU SHOULD BE ABLE TO:

1. Identify each of the passwords used in this PAL.
2. Define and describe credit.
3. Identify examples of credit.
4. Identify the advantages and disadvantages of credit.
5. Describe the dollar cost of credit and how to find it.
6. Calculate the dollar cost of credit.
7. Know the best way to compare different credit arrangements.
8. Calculate the APR.
9. Name the best credit purchase from among several described.
10. Identify sources of loans.
11. Identify types of loans available at various sources.
12. Identify types of credit accounts.
13. Identify characteristics of different types of credit accounts.
14. Identify how to protect a good credit rating.
15. Identify how to determine whether a person is eligible for credit.
16. Identify the purpose of credit bureaus.
17. Identify services offered by credit bureaus.
18. Identify signals of credit card abuse.
19. Identify ways in which credit cards are lost or stolen.
20. Identify the effect of the Truth in Lending and The Fair Credit Reporting Acts.
21. Fill out a credit application.


THE UNITED STATES OF SOLVENCY
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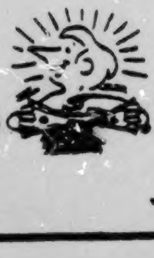
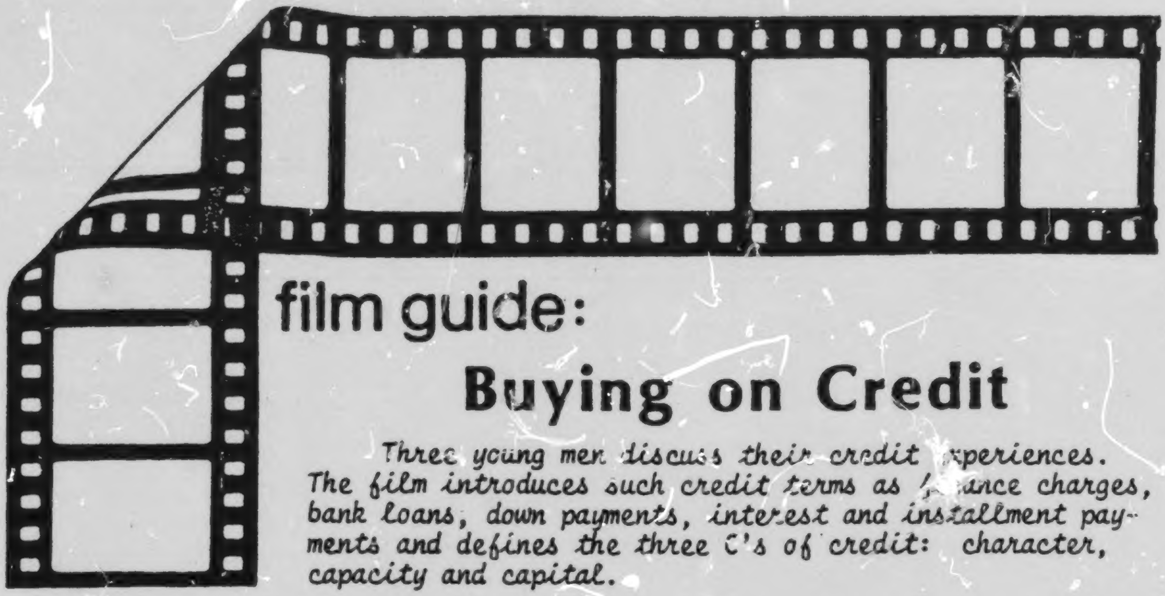


RIGHTS
RESPONSIBILITIES

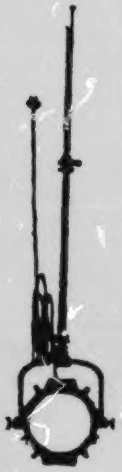


film guide:

Buying on Credit

Three young men discuss their credit experiences. The film introduces such credit terms as finance charges, bank loans, down payments, interest and installment payments and defines the three C's of credit: character, capacity and capital.

As you watch the film, or when it is completed, answer the following questions:



1. How do you think Irv could have avoided some of the mistakes he made in using his bank credit card?

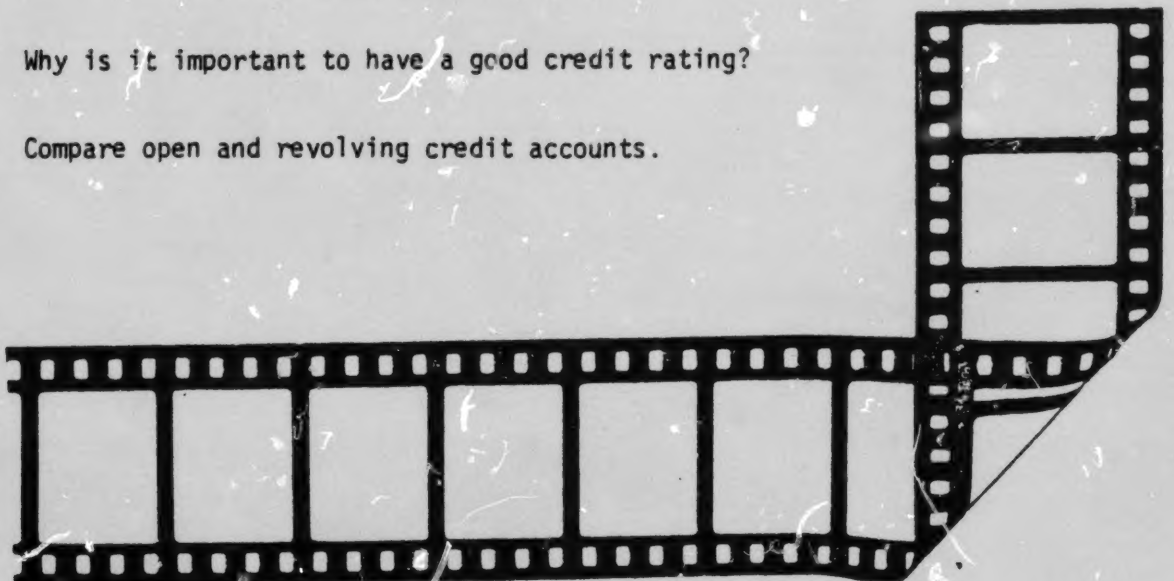
2. What procedure does a bank or department store follow before it decides to issue a loan or a credit card?

3. Have you ever borrowed money from your parents or a friend? What arrangements did you make to pay it back?

4. What is a credit bureau?

5. Why is it important to have a good credit rating?

6. Compare open and revolving credit accounts.



film guide:

Consumer Education: Installment Buying

This film is a dramatization of the benefits and dangers of purchasing commodities on an installment plan. Watch as two sisters explore every facet of installment buying. Down payments, interest charges, maximum loans, and many other important factors are studied.

As you watch the film, or when it is completed, answer the following questions:

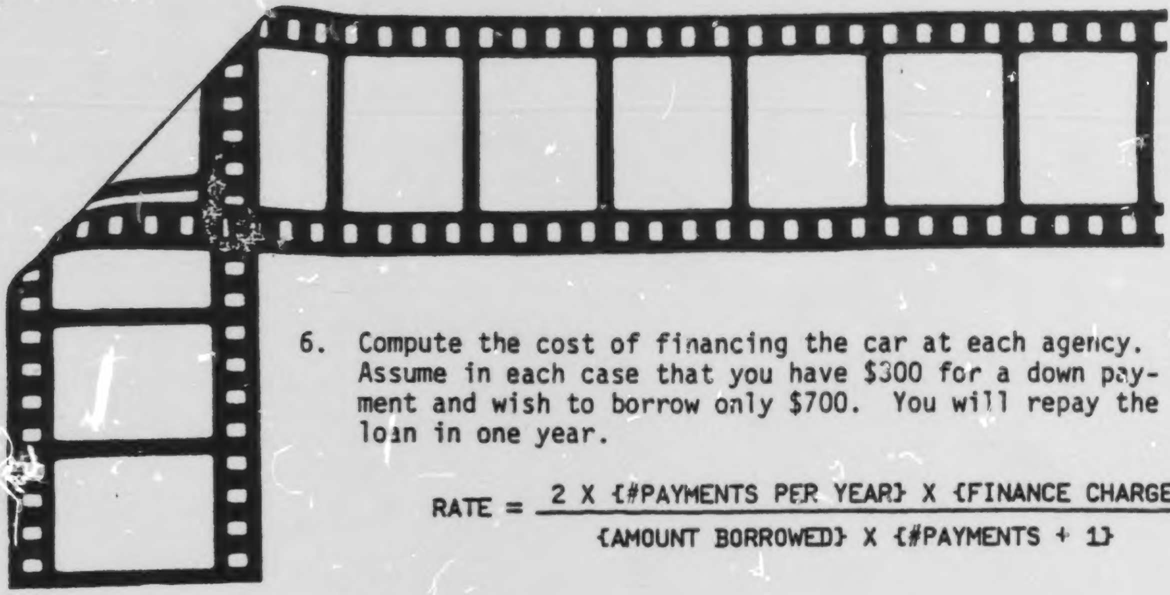
1. What is "add-on" interest? How is it computed?

2. What is meant by a "sliding-scale" interest? Why might an agency compute interest in this way?

3. How is a credit union different from other loan agencies?

4. What service is offered by a loan company that would not be available at a bank or credit union?

5. In the film, which agency was taking the greatest risk under the plans offered? Which agency was taking the least risk? What is the relationship between the amount of risk taken and the interest charged?



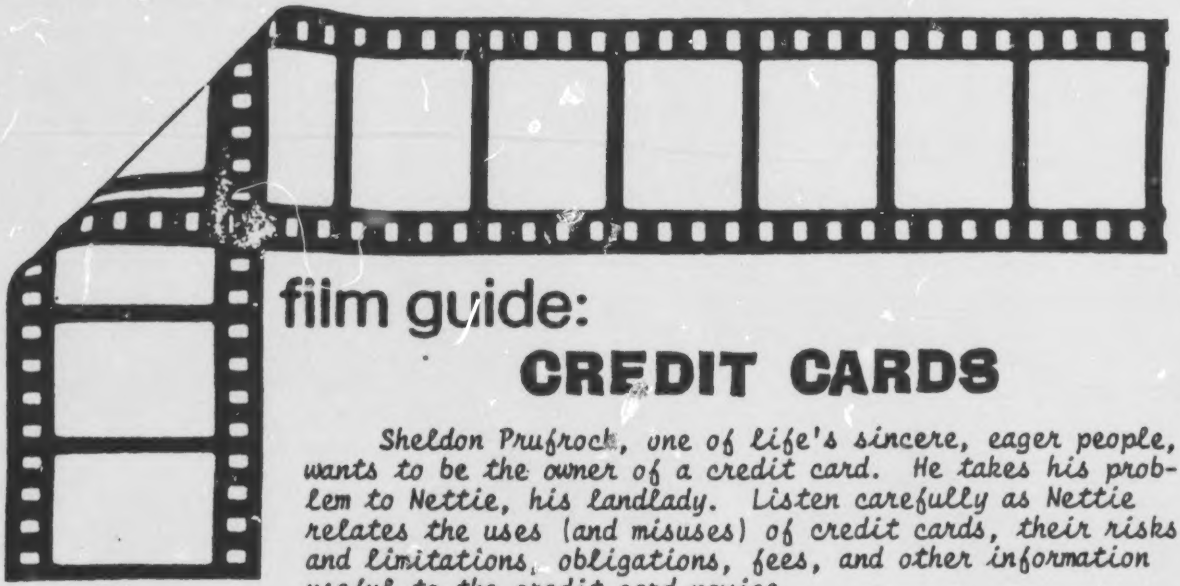
6. Compute the cost of financing the car at each agency. Assume in each case that you have $300 for a down payment and wish to borrow only $700. You will repay the loan in one year.

$$\text{RATE} = \frac{2 \text{ X } \{\text{\#PAYMENTS PER YEAR}\} \text{ X } \{\text{FINANCE CHARGES}\}}{\{\text{AMOUNT BORROWED}\} \text{ X } \{\text{\#PAYMENTS} + 1\}}$$

7. How much would the cost of the car increase if it were financed over a two-year period?

8. Discuss the interest charged on revolving charge accounts and the interest charged on overdue 30-day charge accounts.

9. Discuss the need for and the advantages of budgeting.

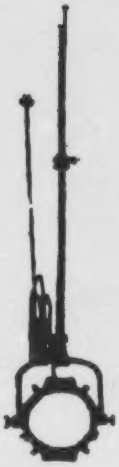


film guide:

CREDIT CARDS

Sheldon Prufrock, one of life's sincere, eager people, wants to be the owner of a credit card. He takes his problem to Nettie, his landlady. Listen carefully as Nettie relates the uses (and misuses) of credit cards, their risks and limitations, obligations, fees, and other information useful to the credit card novice.

As you watch this film, or when it is completed, answer the following questions:



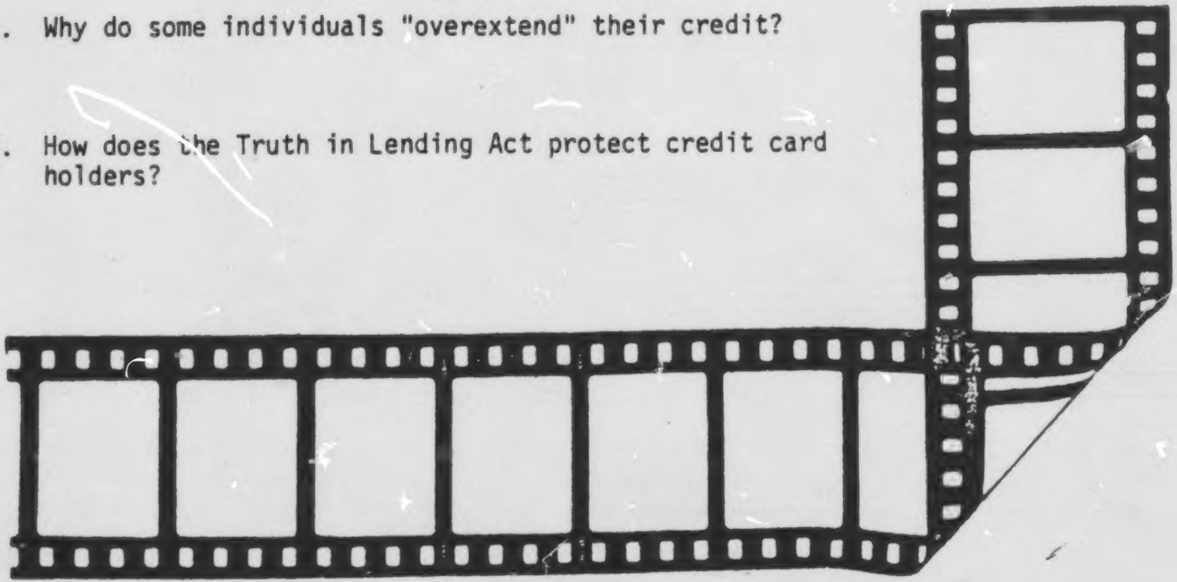
1. Pretend you are a creditor. What facts would you want to consider in judging a person's ability to handle credit?

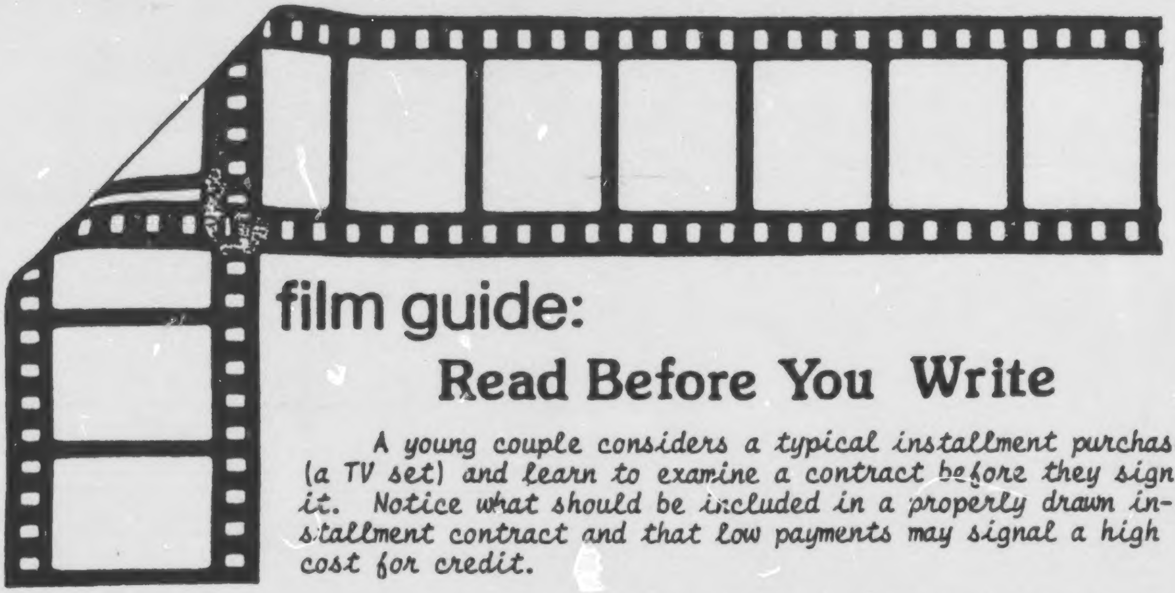
2. How can credit cards make life easier . . . or harder?

3. What are some warning signals that could alert you that you were using credit too freely?

4. Why do some individuals "overextend" their credit?

5. How does the Truth in Lending Act protect credit card holders?



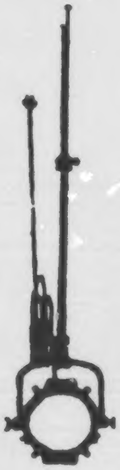


film guide:

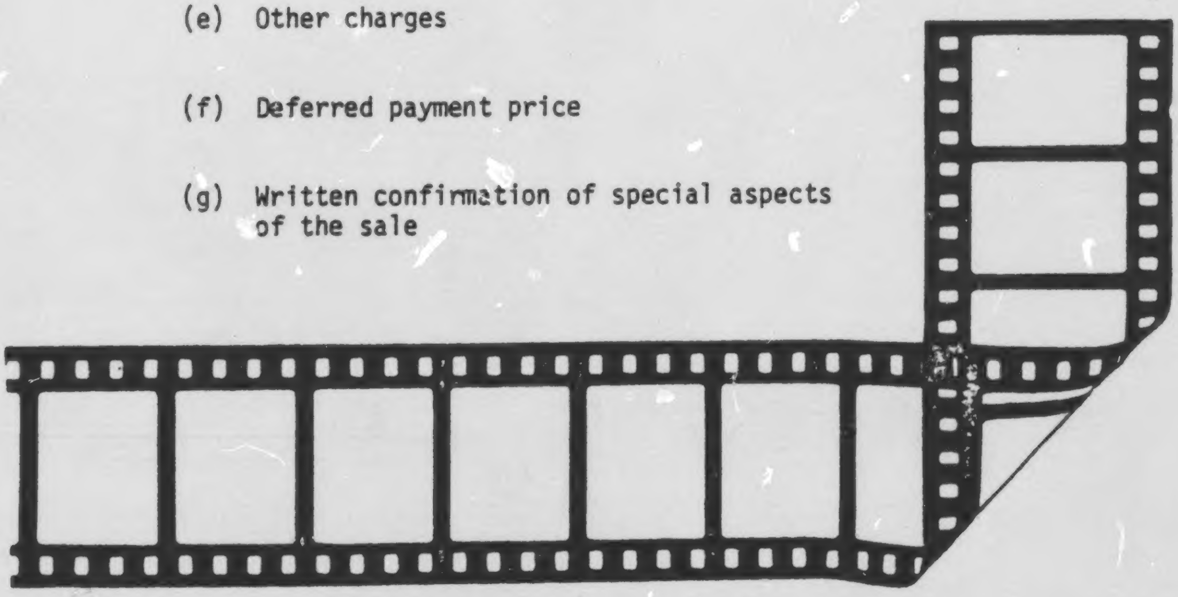
Read Before You Write

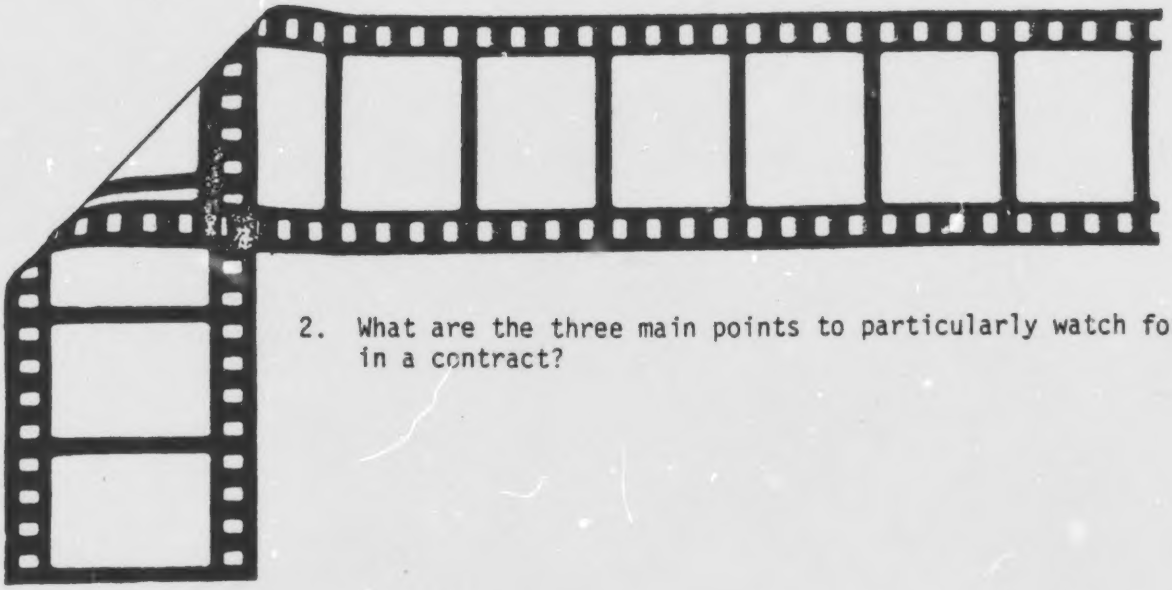
A young couple considers a typical installment purchase (a TV set) and learn to examine a contract before they sign it. Notice what should be included in a properly drawn installment contract and that low payments may signal a high cost for credit.

As you watch this film, or when it is completed, answer the following questions:



1. Why is each of these features of a properly drawn installment contract so important?
   (a) Exact description of purchased item
   (b) No blank spaces
   (c) Cash price
   (d) Interest rate
   (e) Other charges
   (f) Deferred payment price
   (g) Written confirmation of special aspects of the sale





2. What are the three main points to particularly watch for in a contract?

3. What makes the couple decide to shop for better credit terms?

4. Under the pressure of the moment, some people find it difficult to not do as the salesman suggests. How can such people learn to resist sales techniques? Give specific situations and suggestions.

film guide: Your Credit is Good -- a Film about Paying Later

Extended credit can hold many hazards to the unwary consumer. No matter what you think you have been promised verbally, no matter how good or easy it sounds -- you pay what it says on the paper. You have to watch out for yourself. The time to do that is before you have signed anything.

As you watch the film, or when it is completed, answer the following questions:

1. Define each of the following terms:
   (a) Finance charges
   (b) Annual percentage rate
   (c) Simple interest
   (d) Down payment
2. How do you shop for money? Where do you shop?
3. What is "credit addiction"? Do you know anyone who is a credit addict?
4. Have you ever bought anything on credit that you would not have purchased if you had to pay cash? If so, what were the circumstances?

film guide: IN THE BOX

Two young people, Phil and Betty, suffer financial problems and get "boxed in." Notice how the two are given a "parole" and are finally freed from the box with an understanding of how to solve their present crises and how to better manage their credit in the future.

As you watch this film, or when it is completed, answer the following questions:

1. What does the box symbolize?

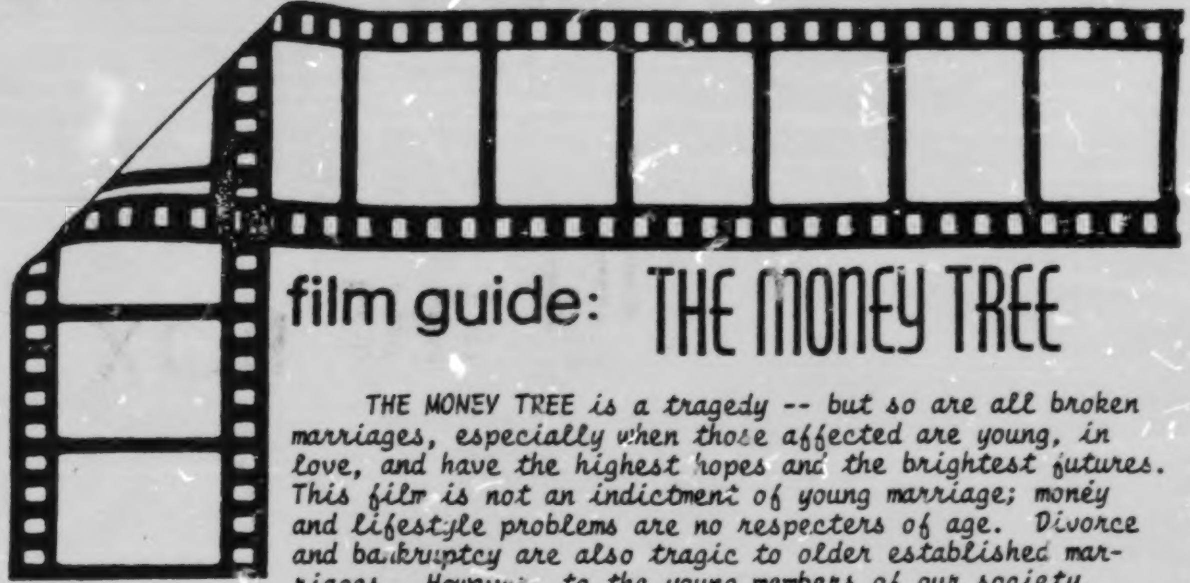
2. What led to Phil's money problem? Do you feel he was to blame for his problem?

3. Repeat question #2 for Betty.

4. Explain how Chapter XIII of the federal bankruptcy law helps solve a financial problem.

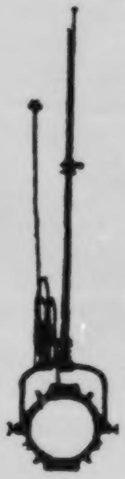
5. What is the difference between Chapter XIII and bankruptcy? Which would you choose in a money crisis? Why?

6. Debate: BANKRUPTCY IS UNETHICAL!

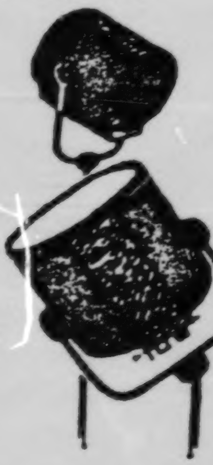


film guide: THE MONEY TREE

THE MONEY TREE is a tragedy -- but so are all broken marriages, especially when those affected are young, in love, and have the highest hopes and the brightest futures. This film is not an indictment of young marriage; money and lifestyle problems are no respecters of age. Divorce and bankruptcy are also tragic to older established marriages. However, to the young members of our society, such money problems can predetermine a lifetime of conflict and failure.



As you watch this film, or when it is completed, answer the following questions:

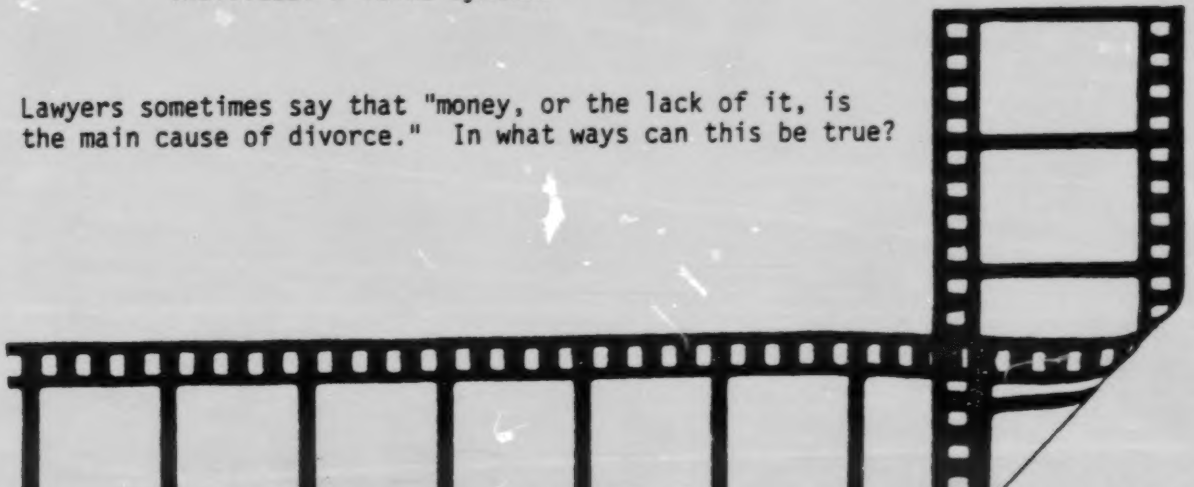


1. Give three examples of how spending habits during dating might indicate a person's ability to handle money in marriage.

2. Does planning and saving ruin the "fun" of shopping? Does anyone you know plan their expenditures anymore?

3. Are money-handling techniques an indication of an individual's value system?

4. Lawyers sometimes say that "money, or the lack of it, is the main cause of divorce." In what ways can this be true?



Film Guide #7
Credit

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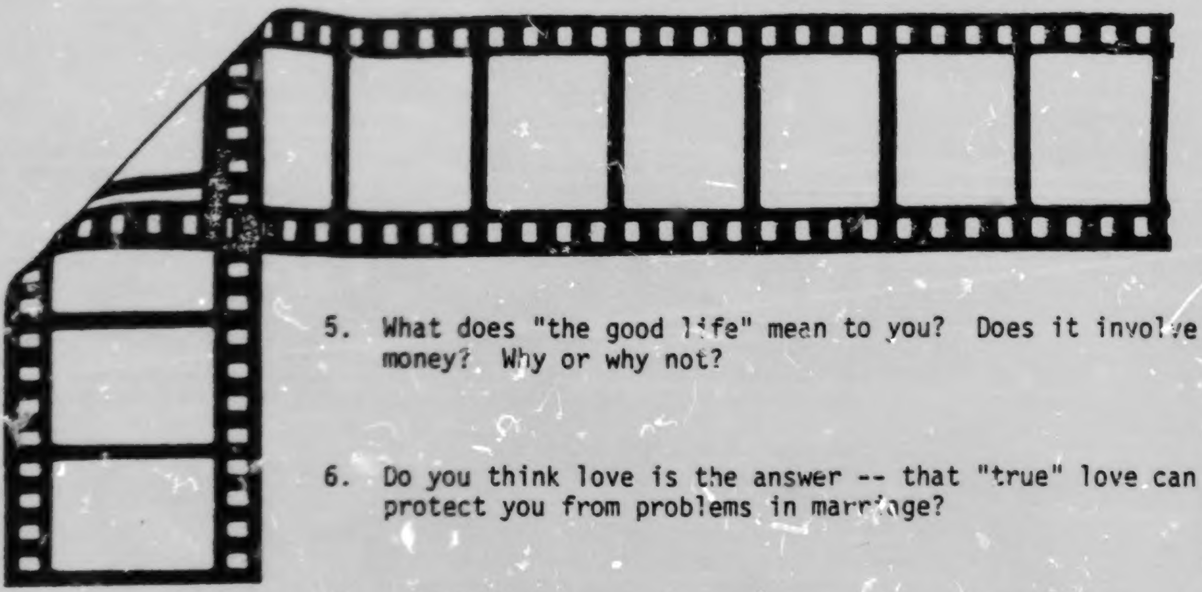


5. What does "the good life" mean to you? Does it involve money? Why or why not?

6. Do you think love is the answer -- that "true" love can protect you from problems in marriage?

7. Who should handle the money in a marriage? Why?

8. Could what happened to Ann and Jerry ever really happen? Could such problems destroy a marriage? Why?

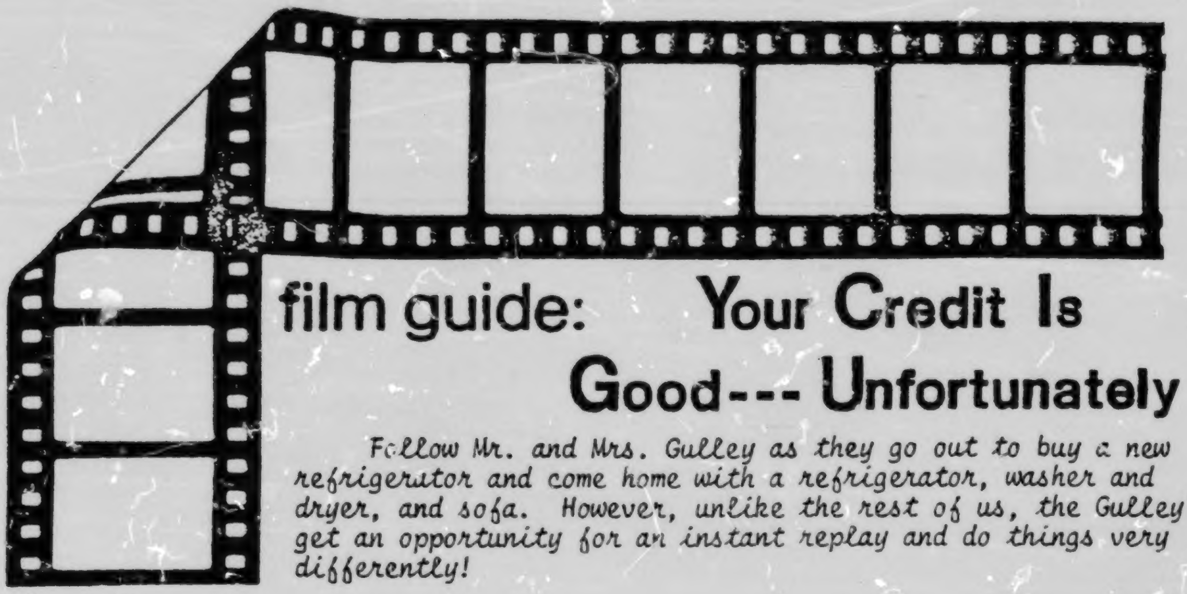
9. Where does a "value system and lifestyle" fit into the marriage of Ann and Jerry?

10. At what stages in the "family life cycle" do the expenses seem the greatest?

11. What does it mean to say that money is often the *focal point* of marital conflict but not necessarily the *cause* of the conflict?

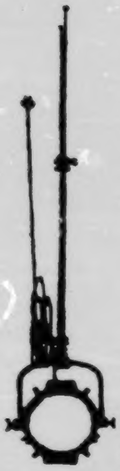
12. Define "living within one's means." Give examples.

13. Assume that you will be married soon. List "needs" and "wants" for your first year of marriage.



film guide: Your Credit Is Good--- Unfortunately

Follow Mr. and Mrs. Gulley as they go out to buy a new refrigerator and come home with a refrigerator, washer and dryer, and sofa. However, unlike the rest of us, the Gulley's get an opportunity for an instant replay and do things very differently!



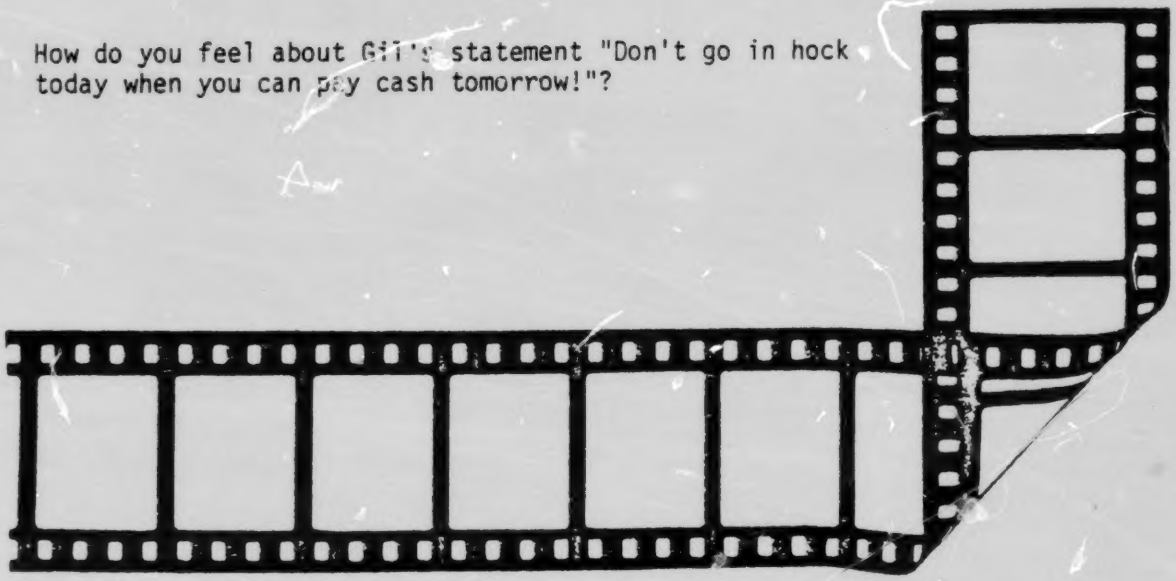
As you watch the film, or when it is completed, answer the following questions:

1. What is a "buy-a-holic"?

2. Is there a trace of "buy-a-holic" in each of us?

3. What things did the Gulley's do differently the second time they went shopping for a refrigerator?

4. How do you feel about Gil's statement "Don't go in hock today when you can pay cash tomorrow!"?



film guide:

Foot in the Door

In a dramatized situation taken from an actual case, a woman aware of the techniques used by "phony" salespeople takes action that leads to the salesperson's arrest.

As you watch this film, or when it is completed, answer the following questions:

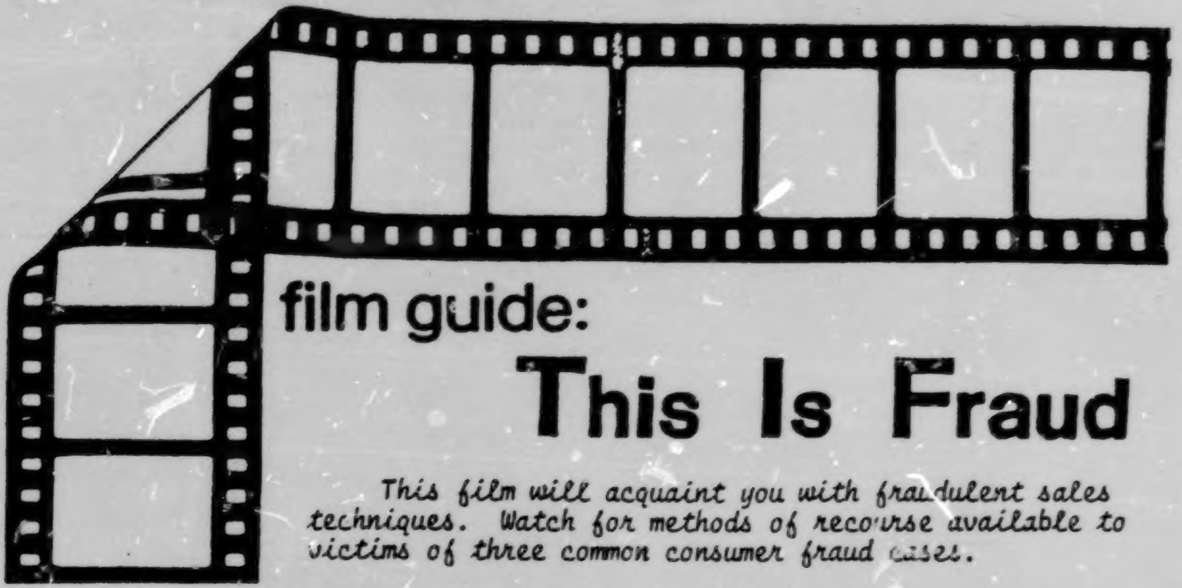
1. What is the first thing you want to do when a door-to-door salesperson arrives at your home?

2. Describe the method used by the baby picture saleswoman. Do you know any other methods sometimes used by door-to-door salespeople?

3. What are good ways to get rid of unwanted door-to-door salespeople?

4. The woman in the film was resourceful in finding a way to call the police. What ways can you think of that would give you freedom to call in different situations?

Film Guide #9
Credit



film guide:

This Is Fraud

This film will acquaint you with fraudulent sales techniques. Watch for methods of recourse available to victims of three common consumer fraud cases.

As you watch this film, or when it is completed, answer the following questions:

1. Have you ever known anyone who had been "taken" by fraudulent sales techniques? If so, what were the circumstances?

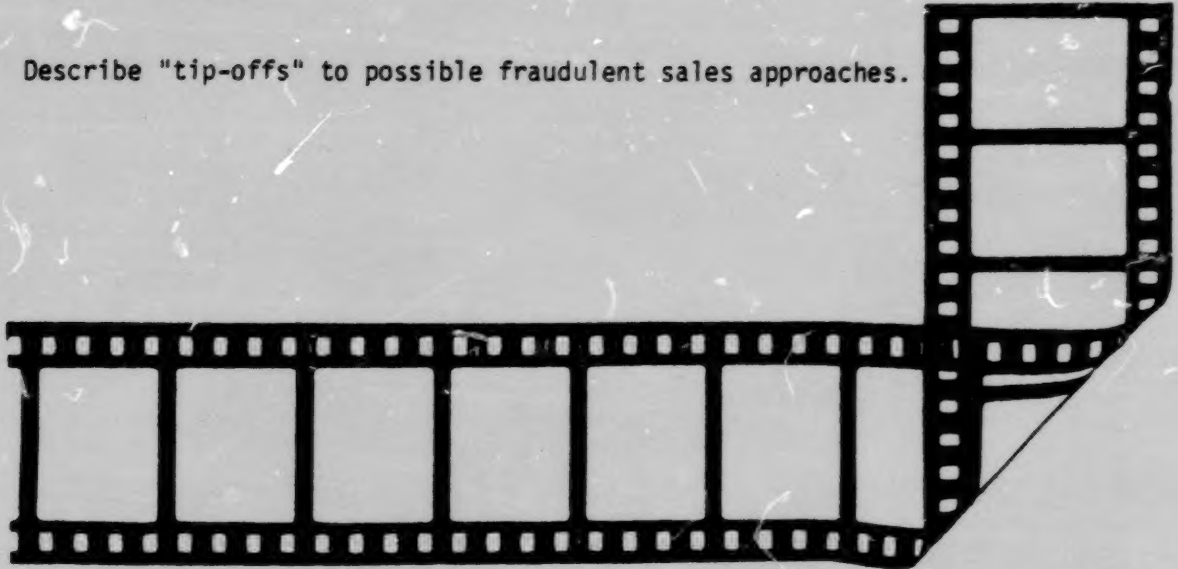
2. Describe what methods of recourse were available for each of the consumer fraud cases described in the film.

   (1)

   (2)

   (3)

3. Describe "tip-offs" to possible fraudulent sales approaches.



Film Guide #10
Credit

WHAT IS CREDIT?

Transparency Master #1
Credit

BENEFITS OF CONSUMER CREDIT

SAVERS: interest

BORROWER: use of goods

SOCIETY: more goods

lower costs

jobs

Transparency Master #2
Credit

Credit

ADVANTAGES | **DISADVANTAGES**

ADVANTAGES	DISADVANTAGES
Immediate Use	**Cost**
Convenience	**Risk**
Credit Rating	

CAN YOU THINK OF OTHERS

? ? ?

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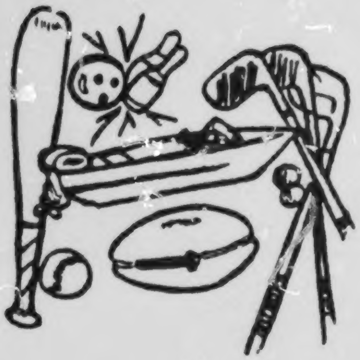
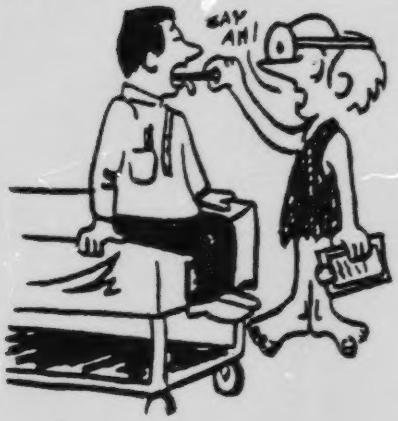
Credit Purchases :

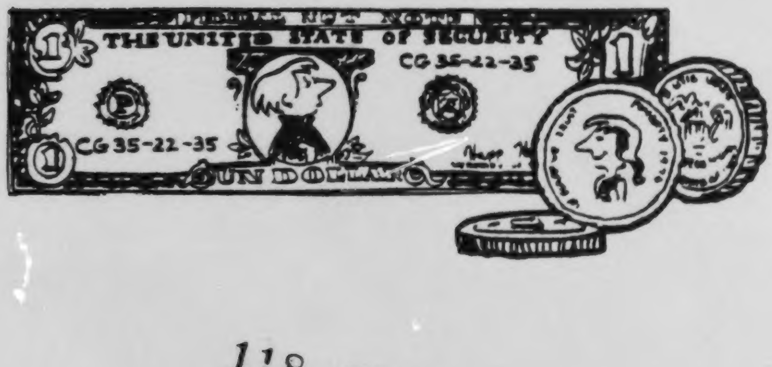
Goods





Services

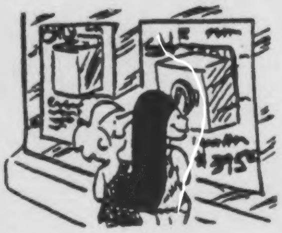
Money


THE UNITED STATE OF SECURITY
CG 35-22-35
CG 35-22-35

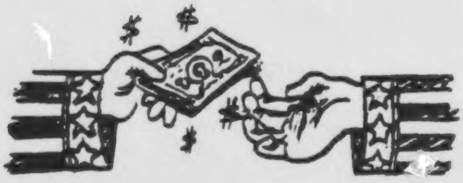
Transparency Master #4
Credit

CREDIT IS

Sales or Purchase Credit

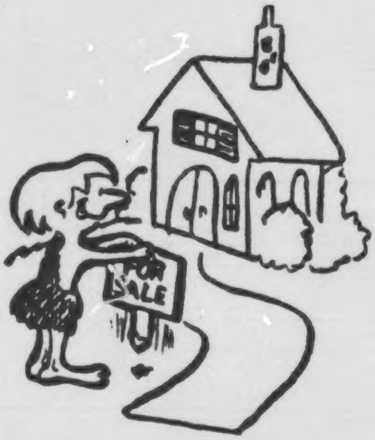


Cash Loan or Borrowing Credit



Transparency Master #5
Credit

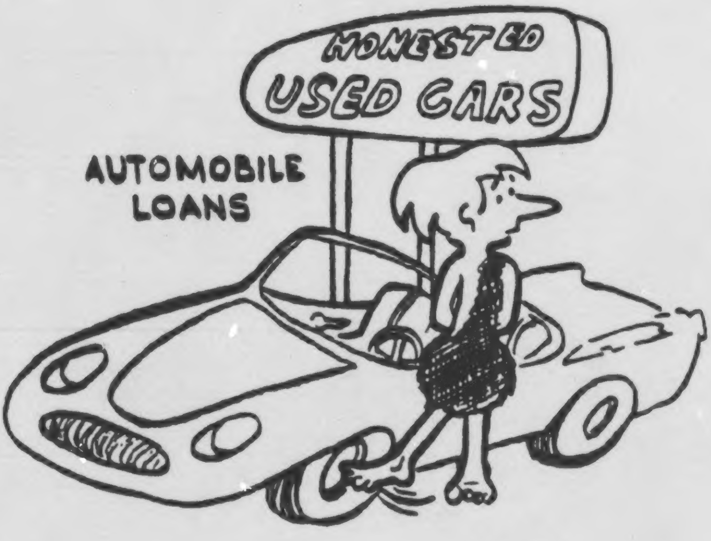
Cash Loan or Borrowing Credit :



REAL ESTATE
LOANS

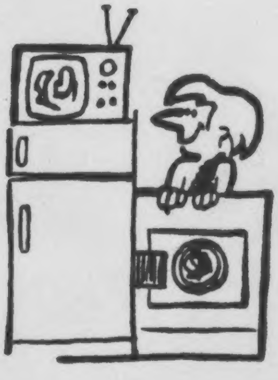
EDUCATION
LOANS

PERSONAL LOANS


HONEST ED
USED CARS

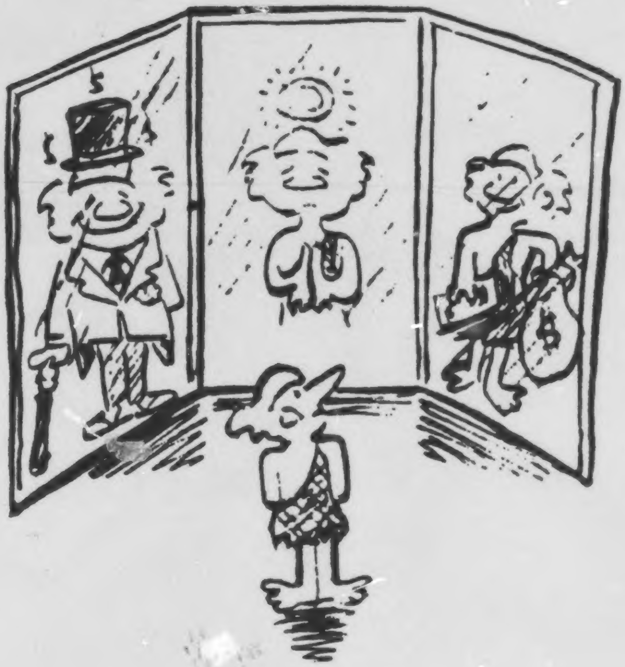
AUTOMOBILE
LOANS

HOME IMPROVEMENT
LOANS



APPLIANCE
LOANS

THE 3 C's OF CREDIT

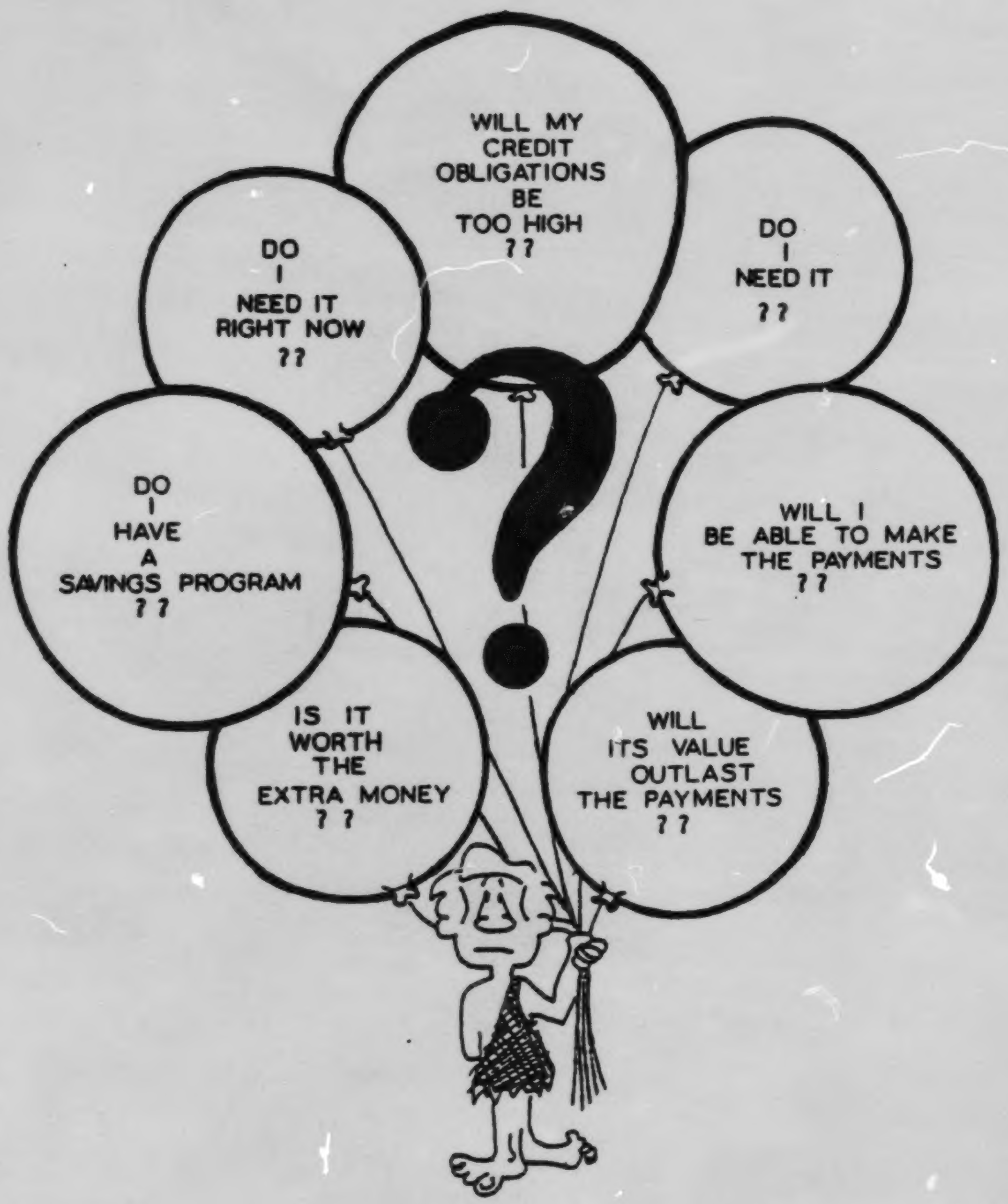


CHARACTER Is he a stable, reliable person who really tries to meet all his obligations?

CAPACITY Is it likely that his income will either remain stable or increase during the life of the loan?

CAPITAL Will he be able to make payments for this and all his other obligations?

GOOD CREDIT =


WILL MY CREDIT OBLIGATIONS BE TOO HIGH ??
DO I NEED IT RIGHT NOW ??
DO I NEED IT ??
DO I HAVE A SAVINGS PROGRAM ??
WILL I BE ABLE TO MAKE THE PAYMENTS ??
IS IT WORTH THE EXTRA MONEY ??
WILL ITS VALUE OUTLAST THE PAYMENTS ??

GOOD JUDGMENT

Transparency Master #8
Credit

Cost Factors of Credit:

How Much ?

$ $

How Long ?

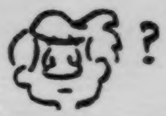
$ $

How High the Interest ?

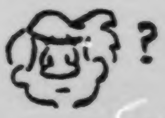
Transparency Master #9
Credit

Evaluate Credit Statements

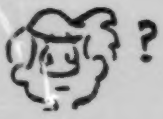
When you treat credit as a privilege, it can help you have more and enjoy more.
Carelessly used, it can become a trap.



You have a choice -- either you can control credit or credit can control you.
The choice is up to you.



How a person spends his money is a matter of individual choice and based on his personal values and goals.
There are no rules on what is a valid use of credit.



Credit can help you have many of the things you want, but you can't have everything.

Seams
Bank Americard
Fun Bank
Moboil
HEXON

PRO CON PRO CON PRO CON

Transparency Master #10
Credit

Answer Keys

CLASSROOM TEACHERS ARE AUTHORIZED TO
REPRODUCE THIS ORIGINAL COPY FOR USE
IN THEIR CLASSROOMS.

NAME ________________________

CLASS ________________________

DATE ________________________

Ch..a..r..r..ge!!

1 Ⓐ Ⓑ ● Ⓓ
2 Ⓐ Ⓑ Ⓒ ●
3 Ⓐ ● Ⓒ Ⓓ
4 Ⓐ ● Ⓒ Ⓓ
5 ● Ⓑ Ⓒ Ⓓ
6 Ⓐ Ⓑ Ⓒ ●
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20 Ⓐ ● Ⓒ Ⓓ
21 Ⓐ Ⓑ Ⓒ ●

80

Sales or Purchase

Credit

STUDY THE FOLLOWING LIST OF CREDIT SOURCES AND INFORMATION:

Charge Accounts	Installment
Commercial Bank	Loan Shark
Consumer Finance Company	Open or Regular
Credit Card	Savings and Loan
Credit Union	12%
18%	Utilities

WRITE THE TERM WHICH CORRECTLY MATCHES EACH DESCRIPTION BELOW:

OPEN OR REGULAR	Oldest and most popular type of charge account
UTILITIES	Services provided on credit
18%	Usual annual interest rate for charge accounts
CREDIT CARDS	Often used to pay for things while traveling
SAVINGS AND LOAN	Credit sources specializing in home loans
COMMERCIAL BANK	Largest source of consumer credit
LOAN SHARK	A poor source for cash loans
CREDIT UNION	Only members may obtain cash loans here
CONSUMER FINANCE COMPANY	Credit sources specializing in cash installment loans to individuals
CHARGE ACCOUNTS	May be "Open", "Revolving", or "Installment"

CREDIT CARDS
MINOR CARD

CHARGE
CHARGE ACCOUNTS

Student Activity Sheet #2
Credit

Cash Loan or Borrowing Credit :

STUDY THE ILLUSTRATIONS OF LOAN SOURCES. THINK ABOUT THE BEST SOURCES FOR EACH TYPE OF LOAN ILLUSTRATED BELOW. WRITE THE NUMBERS OF THE BEST SOURCES UNDER EACH ILLUSTRATION.

BANK
1

CREDIT UNION
2

FINANCE CO.
3

SAVINGS & LOAN
4

PAWNSHOP
5

LOAN SHARK
6

APPLIANCE LOANS
1, 2

AUTOMOBILE LOANS
1, 2

REAL ESTATE LOANS
4

1, 2
EDUCATION LOANS

PERSONAL LOANS
1, 2

4
HOME IMPROVEMENT LOANS

WHICH TWO LOAN SOURCES SHOULD YOU NOT USE? 5, 6

WHICH LOAN SOURCE WOULD NOT BE AVAILABLE TO ALL CONSUMERS? 2

ONE OF THE MOST IMPORTANT NEEDS FOR LOANS IS AN EMERGENCY. WHERE MIGHT YOU BE ABLE TO BORROW MONEY IN AN EMERGENCY SUCH AS AN ACCIDENT OR LOSS OF A JOB? 3, 4

Cash Loan or Borrowing Credit

EACH LOAN SOURCE HAS BEEN LABELED WITH AN APPROPRIATE APR.
IMAGINE THAT YOU ARE BORROWING $1000 FROM EACH SOURCE FOR ONE YEAR.
ON THE LINE BELOW EACH SOURCE WRITE THE DOLLAR COST OF THE CREDIT FOR THE LOAN.
THE FIRST ONE IS DONE FOR YOU.

BANK
12%

$120 ______

CREDIT UNION
9%

$90 ______

FINANCE CO.
24%

$240 ______

SAVINGS & LOAN
8½%

$85 ______

PAWNSHOP
36%

$360 ______

LOAN SHARK
800%

$8000 ______

IF YOU HAVE COMPLETED ALL THE EXAMPLES CORRECTLY, THE DOLLAR COST OF CREDIT FROM ALL SOURCES WILL BE $8895.

CREDIT APPLICATION

3 C's OF CREDIT

THE KINDS OF QUESTIONS ASKED ON A CREDIT APPLICATION ARE TO INFORM THE CREDITOR ABOUT THE CHARACTER, CAPITAL, AND CAPACITY OF THE APPLICANT.

STUDY THE KINDS OF QUESTIONS ASKED ON THE SAMPLE APPLICATION AND DECIDE WHETHER IT IS A CHARACTER, CAPITAL, OR CAPACITY QUESTION.
IF IT IS A CHARACTER QUESTION, WRITE 1. IN THE BLANK.
IF IT IS A CAPITAL QUESTION, WRITE 2. IN THE BLANK.
IF IT IS A CAPACITY QUESTION, WRITE 3. IN THE BLANK.

Please Print

☐ Ms.
☐ Mr.
☐ Mrs.
☐ Miss ____________________

Date Opened	Limit	Interviewer
Own ☐ Rent ☐ 2 Board ☐	Rent/Mortgage $ 2	Authorizer Telephone

Social Security Number ____________

Street Address ____________________

City & State ____________________ Zip Code ________

How long at present address ________ If less than 2 years, how long at previous address ________

If less than 2 years, give previous address ____________________
Street City State Zip

Name and address of employer ____________________

How long with present employer ________ Occupation ________ Earnings 3 ☐ Wk. ☐ Mo. ☐ Yr.

Former employer ________ Address ________ How long? ________
(if less than one year with present employer)

Other income and source 3

☐ Checking Acct.

☐ Savings Acct. Name of Bank 2 Address ________

Personal references

1. Name 1 Address ________
2. Name ________ Address ________

Charge Accounts/Loan References (Store/Company)	Address	Account Number	Balance	Monthly Payments
3				

Student Activity Sheet #5
Credit

DOLLAR COST OF CREDIT*

PRACTICE FINDING THE DOLLAR COST OF CREDIT BY COMPLETING EACH OF THE EXAMPLES BELOW:

1. ED TUCKER BORROWED $300 FROM A SMALL LOAN COMPANY AND PAID $32.00 A MONTH FOR 12 MONTHS.

   WHAT WAS THE DOLLAR COST OF THE LOAN? $84

2. RUDY YORK FINANCED HIS NEWLY PURCHASED USED CAR AT THE LOCAL BANK. WITH NO DOWNPAYMENT, THE CAR COST $1000 AND WAS TO BE PAID OFF IN 12 MONTHS AT $92.00 A MONTH.

   WHAT WAS THE DOLLAR COST OF RUDY'S LOAN? $104

3. ANNIE B. WISE BOUGHT A USED CAR VALUED AT $1800. UNDER THE TERMS OF HER LOAN, SHE MADE A DOWNPAYMENT OF $600. THE BALANCE WAS TO BE PAID IN 12 MONTHLY INSTALLMENTS OF $109.

   WHAT WAS THE ACTUAL DOLLAR COST OF THE CREDIT? $108

4. THE HAZZARDS HAVE DECIDED TO BUY A TV SET ON THE INSTALLMENT PLAN. THE SET THEY WANT COSTS $225. THE DEALER HAS OFFERED IT TO THEM FOR $20 DOWN AND $5 PER WEEK FOR FIFTY WEEKS. THEY THINK THIS MAKES THE SET RATHER EXPENSIVE.

   CALCULATE WHAT THE SET WILL COST THEM. $270

   WHAT IS THE DOLLAR COST OF THE CREDIT? $ 65

***remember:**

NUMBER OF INSTALLMENTS × AMOUNT OF EACH PAYMENT — CASH PRICE OF ITEM =

DOLLAR COST OF CREDIT

5. COMPLETE THE FOLLOWING TABLE CONCERNING A RECENT TV SALES PROMOTION IN ATLANTA, GEORGIA. ALL MONTHLY PAYMENTS ARE TO RUN FOR 12 MONTHS.

TV SET	ORIGINAL PRICE	SALE REDUCTION	SALE PRICE	DOWN PAYMENT	BALANCE DUE	MONTHLY PAYMENTS	TOTAL PRICE OF TV	DOLLAR COST OF CREDIT
1	$620	$50	$570	$142.50	$427.50	$40.00	$622.50	$52.50
2	$840	$65	$775	$193.75	$581.25	$52.80	$827.35	$52.35
3	$460	$35	$425	$106.25	$318.75	$33.00	$502.25	$77.25
4	$1100	$90	$1010	$252.50	$757.50	$70.00	$1092.50	$82.50
5	$580	$45	$535	$133.75	$401.25	$39.00	$601.75	$66.75

CH..A..R..R..GE!! WORDS

20 OF THE MOST IMPORTANT CREDIT TERMS FOR YOU TO REMEMBER ARE:

1. APR
2. Bankruptcy
3. Capacity
4. Capital
5. Character
6. Collateral
7. Credit
8. Credit application
9. Credit bureau
10. Credit counseling
11. Credit record
12. Credit union
13. Dollar cost of credit
14. Equal Credit Opportunity Act
15. Fair Credit Reporting Act
16. Installment
17. Repossess
18. Security
19. Service charge
20. Truth in Lending Act

USE THESE WORDS TO COMPLETE EACH OF THE FOLLOWING EXERCISES.
WRITE THE NUMBER OF THE TERM WHICH MATCHES EACH DESCRIPTION:

REGULATIONS

14 Makes it possible for a wife to obtain credit in her name, separate from her husband

20 Requires disclosure of both the dollar cost of credit and the annual percentage rate

15 Regulates the activities of credit reporting agencies

GETTING CREDIT

7 The system which makes it possible to get things now and pay later

4 Money and property; one of the "3 C's of Credit"

3 Ability to pay; one of the "3 C's of Credit"

5 Reputation; one of the "3 C's of Credit"

8 The form completed by a consumer who wishes to use credit

9 The "home" of credit records

11 The consumer's record of credit use

18 Collateral

DICTIONARY

Student Activity Sheet #9
Credit

6 A guarantee for payment of a loan

12 A source of credit for members only

10 Aid given to the consumer who is in credit difficulty by one trained in organizing finances

17 What the dealer does with the car you can't pay for

2 The last resort for the consumer in credit trouble

COSTS

19 "Handling charge"

13 The difference between the cash and credit cost of an item

1 Finance charges expressed on an annual basis as required by the Truth In Lending Act

16 One payment of many

WRITE THE MESSAGE BY CHANGING NUMBERS* TO WORDS:

7 = (3+4+5) + 8 + 6

CREDIT EQUALS CAPACITY PLUS CAPITAL PLUS CHARACTER

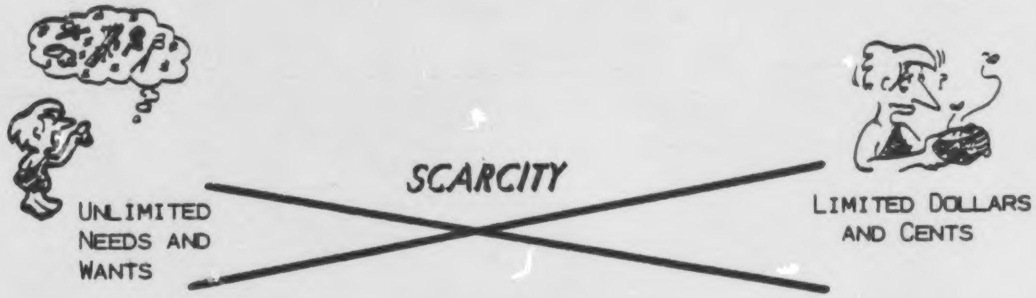
PLUS CREDIT APPLICATION PLUS COLLATERAL

*(USE THE NUMBERS ON THE PREVIOUS PAGE.)

SCARCITY AND CREDIT

Credit and credit cards remind us of that old problem, SCARCITY.

Borrowing money is one way that we "solve" the problem of scarcity for the moment. Of course, we later have to repay what we borrow, plus pay the credit charges and interest.



SO WE HAVE TO MAKE
HARD CHOICES ABOUT
WHAT IS MOST IMPORTANT.

HOWEVER,

IF WE ARE TRUSTWORTHY,
WE MIGHT BORROW MONEY NOW
TO MEET OUR NEEDS OR TO
FULFILL OUR WANTS — BUT
AT A DOLLARS & CENTS COST.

For example, Bob McCulloch needs to put food on his family's table now, but he will not harvest the crops and sell them for another six weeks. He has a NEED and he decides to meet it by borrowing money.

CHOICE (What Bob will do)	***COST*** (What Bob will not be able to do)
Bob will borrow a thousand dollars from his bank to feed the family and meet household expenses for six weeks.	*(Fill in the COSTS for Bob)* ANSWERS WILL VARY

Or, Harriet Kontos has decided to add a little excitement to her life. She is taking up stock car racing with a friend. They have saved $6,000, but they need another $6,000 to get into the circuit. Harriet and friend have a WANT (some might say a "luxury") and they want to fulfill it.

CHOICE (What Harriet & friend will do)	**COST** (What Harriet & friend will then not be able to do)
ANSWERS WILL VARY	ANSWERS WILL VARY

When you think about borrowing money, what FEELINGS come to mind? Check ✓ yours:

NERVOUS
GUILT
FEAR
JEALOUS
INCAPABLE
EMPTY
DUMB
AFRAID
OPTIMISTIC
ENVY
PROUD
WARM
IRRITATED
DEPENDENT
HUMBLE
ANGER
SAFE
DEPRESSED
LOVING
SENTIMENTAL
CLEVER
HURT
JOY
SECURE
SMART
UNWORTHY
SYMPATHY
FRIENDLY

ANSWERS WILL VARY

Feeling words reveal our attitudes toward CREDIT and BORROWING.
How did you learn your feelings/attitudes toward CREDIT and BORROWING?
One of the things we want to do in this PAL is to see if our feelings about CREDIT and BORROWING are realistic.

Credit is an accepted way of life in America.

The average American is too easily tempted to use credit without realizing how much it really costs.

The cost of credit is worth the satisfaction of buying and using goods now.

With a credit purchase, the seller is placing his trust in the buyer's intention and ability to pay the debt at a later date. Like money, credit is a medium of exchange.

Many things in our life are bought on credit. Large purchases such as homes, cars and big appliances are often bought this way because few of us have enough funds to pay cash.

Even utilities, such as electricity and water, are bought on credit. We use these services and are billed monthly on the amount of water or electricity we have used.

Education may also be bought with credit.

STOP
EXERCISES

SEVEN OF THE CIRCUMSTANCES DESCRIBED BELOW ARE EXAMPLES OF CREDIT.
SEE IF YOU CAN DECIDE WHICH SEVEN.
CIRCLE THE NUMBER OF EACH CIRCUMSTANCE WHICH IS AN EXAMPLE OF CREDIT.

1. You pay cash for a new outboard motor and boat at a boat sale.

[✓ 2.] You receive a monthly statement from your doctor.

3. You receive word that you have won five hundred dollars from a local talk show.

[✓ 4.] You pick up the receiver of your newly installed phone and are soon talking to your parents who are a thousand miles away.

[✓ 5.] Your friend Bill gives you the $5 deposit you need for your yearbook. You promise to pay him $6 on payday.

[✓ 6.] You buy a used automobile for nothing down and twelve payments of $92 a month.

[✓ 7.] You turn on your TV set.

8. You send a check each month to your church for a previously-agreed-upon amount.

⑨ You pay $100 down and $80 a month for part ownership in an airplane.

⑩. You have dinner with two friends and use a credit card to take care of the bill.

CREDIT HAS ITS ADVANTAGES & DISADVANTAGES

Almost everything you can think of has good points and bad points.
Credit is no different.
The informed consumer will be able to make better judgments if he is aware of some of each.
Study the list of advantages & disadvantages of using credit.
Then decide.

+	−
Provides immediate use of goods & services	Costs money
Makes purchasing convenient	Discourages comparison shopping
Helps to improve the standard of living	May require payments after consumer tires of item
Provides an accurate record of spending	Ties up future income
Helps in getting a good credit rating	Risks repossession if payments are not made
Allows immediate handling of many emergencies	May decrease reserve for emergencies

Makes debt consolidation possible	Tempts the consumer to overspend
Supports mass production, mass distribution, & mass consumption, providing more products for more consumers	May require payments after the article purchased is of no further value

Of course it is possible to list a great many more advantages and disadvantages of credit if we were to think of each of the types of credit available in both the sales and cash areas.

Think of the last purchase you or someone in your family made on credit. Do you think the purchase involved a wise use of credit?

50 lbs.
50 lbs.

Exercises

IT'S EASY TO TELL AN ADVANTAGE FROM A DISADVANTAGE, RIGHT? RIGHT! LET'S SEE. IF THE FOLLOWING PHRASES ARE ADVANTAGES OF CREDIT, WRITE A; IF DISADVANTAGES, WRITE D.

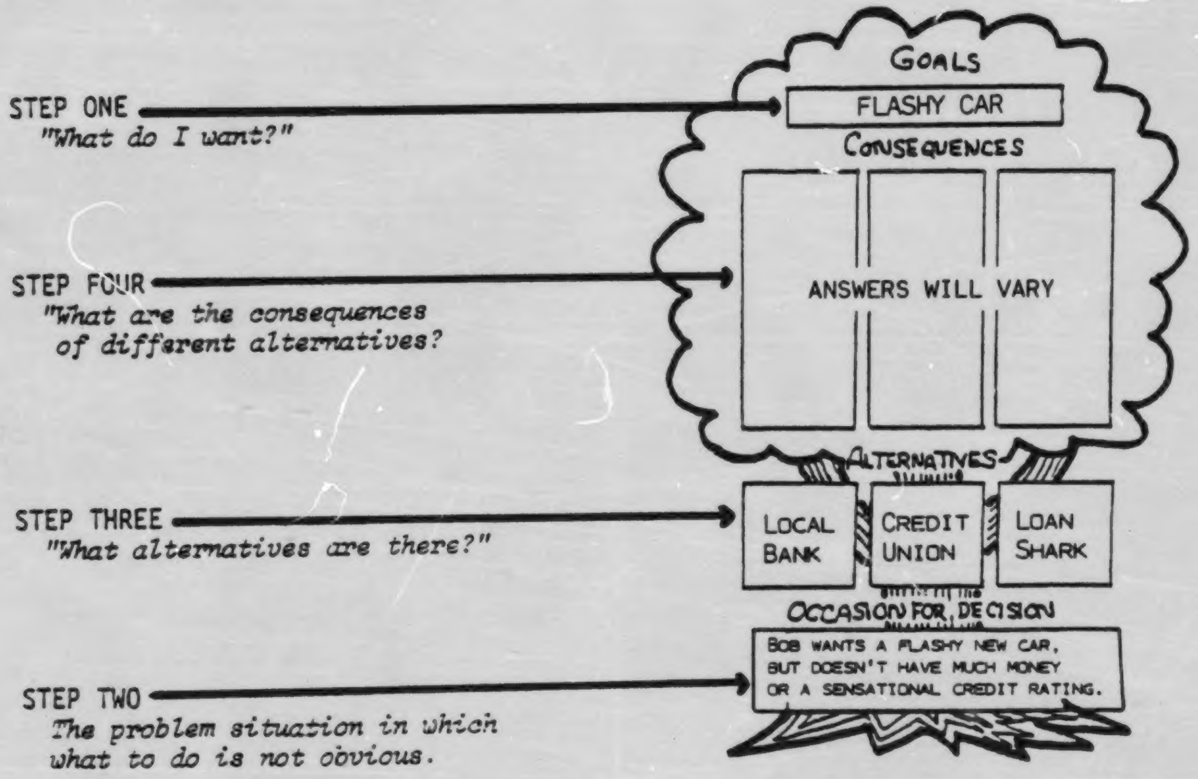
1. A use the goods or services while paying for them
2. A buy something while it's on sale
3. D pay more than the actual cost of the item
4. A take advantage of a "once in a lifetime" opportunity
5. D worry because of a missed payment
6. D spend future income
7. A handle emergency problems on the spot
8. D buy on impulse instead of thinking it through
9. A raise the standard of living for you and your family
10. D promise to pay money you don't have

WHETHER YOU'RE BUYING OR BORROWING, DON'T BE TRAPPED BY CREDIT. KNOW ALL THE FACTS BEFORE YOU COMMIT YOURSELF TO ANY ARRANGEMENT THAT MEANS YOU PAY LATER FOR WHAT YOU GET NOW.

Bob wants a new, flashy car. But he does not have much money or a solid credit rating. He thinks he has three alternatives (of course, he has four--he could refrain from buying a flashy, new car!)

Please help Bob by working out the consequences for the four alternatives, and recommend a *decision* for him (What should he do?).

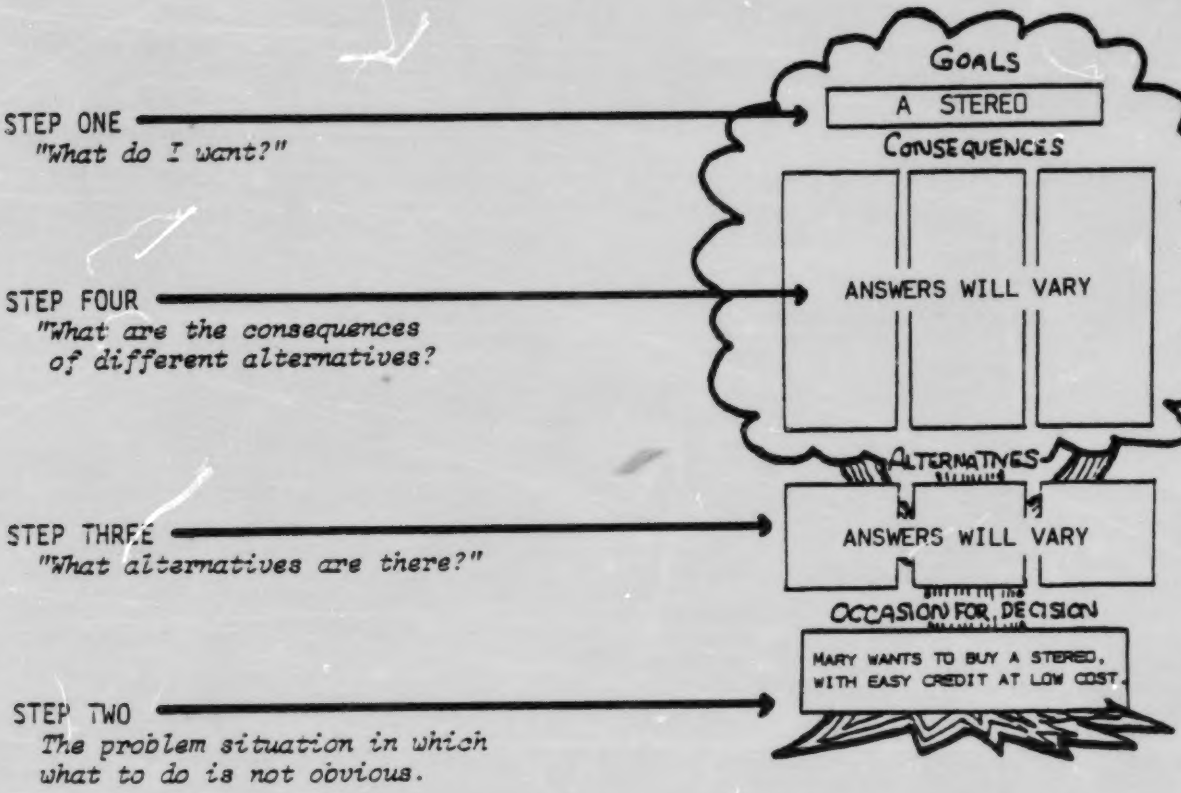
DECISION-TREE FOR BOB


GOALS
FLASHY CAR
CONSEQUENCES
ANSWERS WILL VARY
ALTERNATIVES
LOCAL BANK
CREDIT UNION
LOAN SHARK
OCCASION FOR DECISION
BOB WANTS A FLASHY NEW CAR, BUT DOESN'T HAVE MUCH MONEY OR A SENSATIONAL CREDIT RATING.
STEP ONE
"What do I want?"
STEP FOUR
"What are the consequences of different alternatives?
STEP THREE
"What alternatives are there?"
STEP TWO
The problem situation in which what to do is not obvious.

Mary wants to purchase a stereo set and she has chosen one in her price range. She can make a one-third downpayment, but needs to "borrow" the rest of the purchase price. She can borrow the money from her bank, she can go to her credit union where she works, or she can use the store's 90-day credit plan and pay the remaining price in three payments spread over three 30-day periods. The store does not charge interest for this plan.

Use the "TREE" to fill out Mary's alternatives. Fill in the consequences of each alternative as you see them. Then, make a recommendation to Mary about what she should do.

DECISION-TREE FOR MARY


GOALS
A STEREO
CONSEQUENCES
ANSWERS WILL VARY
ALTERNATIVES
ANSWERS WILL VARY
OCCASION FOR DECISION
MARY WANTS TO BUY A STEREO, WITH EASY CREDIT AT LOW COST.
STEP ONE
"What do I want?"
STEP FOUR
"What are the consequences of different alternatives?
STEP THREE
"What alternatives are there?"
STEP TWO
The problem situation in which what to do is not obvious.

Review Time

WHAT IS CREDIT?

1. Write a definition of credit: THE SYSTEM WHICH ALLOWS CONSUMERS TO OBTAIN GOODS, SERVICES OR MONEY AND PAY AT A LATER DATE

2. Name the 2 major types of credit: (1) SALES
(2) CASH

3. Identify the source of credit you would use in each situation:

CHARGE ACCOUNT	THE LOCAL DEPARTMENT STORE ALLOWS YOU TO "CHARGE IT"
SAVINGS & LOAN	THE HOME OF YOUR DREAMS IS FOR SALE
PAWNSHOP	YOU NEED $25 NOW, BUT YOU WON'T BE NEEDING YOUR CAMERA FOR 3 MONTHS
CREDIT CARD	YOUR GAS TANK READS "E"

4. Name what you consider the greatest ADVANTAGE of credit: (ANSWERS WILL VARY)

Name what you consider the greatest DISADVANTAGE of credit: (ANSWERS WILL VARY)

5. With which of the following statements do you most nearly agree:

____ *Credit lets you get it.*
____ *Credit? Forget it!*

ANSWERS WILL VARY

x 96

WHO CAN GET CREDIT?
WHO SHOULD GET CREDIT?

TOGETHER TOM AND MARY HALPRIN MAKE A GOOD SALARY. THEY HAVE SAVED SEVERAL THOUSAND DOLLARS AND WANT TO BUY A HOME. AFTER LOOKING AT HOMES IN THEIR CITY, THEY SELECT ONE TO BUY IN AN OLDER NEIGHBORHOOD. THE MORTGAGE COMPANY FOUND OUT THAT THEY HAVE A GOOD CREDIT RATING AND ARE RESPONSIBLE PERSONS. HOWEVER, THE COMPANY IS RELUCTANT TO LEND THEM MONEY ON THE HOUSE THEY HAVE SELECTED. THE MORTGAGE COMPANY FEARS THAT THE NEIGHBORHOOD IS "GOING DOWNHILL." NEW PEOPLE ARE MOVING IN AND NOT KEEPING THE HOUSES UP. MANY HOUSES ARE RENTED OR DIVIDED INTO APARTMENTS. AND, RECENTLY, PROPERTY VALUES IN THAT NEIGHBORHOOD HAVE GONE DOWN.

Should the mortgage company refuse Tom and Mary a loan on *this* house?

Your Position: ANSWERS WILL VARY

Your Reasons: 1. ____________________

2. ____________________

3. ____________________

IRVING GARFEIN HAS A SUPERB BEFORE-SCHOOL JOB. HE GETS $3.50 PER HOUR TO COOK EGGS EACH MORNING AT HAPPY HARRY'S BREAKFAST BAR ON ROUTE #17. IRVING WORKS FOUR HOURS EACH MORNING BEFORE GOING TO SCHOOL. HE HAS BEEN DOING THIS FOR TWO MONTHS. NOW, HE WANTS TO TAKE HIS EARNINGS, BORROW A THOUSAND DOLLARS, AND BUY A REALLY NEAT USED CAR. IRVING IS EIGHTEEN AND WILL COMPLETE HIGH SCHOOL IN SIX MORE MONTHS. HE GOES TO A LENDING INSTITUTION TO BORROW THE $1,000.00.

Do you think Irving will get the $1,000.00 loan? Why or Why not?

If you were the loan officer, would you extend a $1,000.000 loan to Irving?

Your Position: ANSWERS WILL VARY

Your Reasons: 1. ______

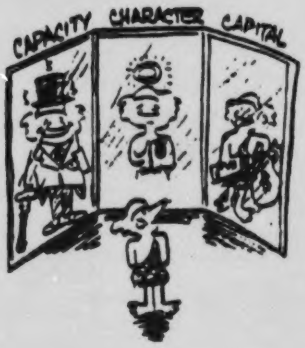
2. ______

3. ______

After you have thought through your answers with your class, invite a bank or credit union loan officer to class to discuss these situations with you.

Whether or not you receive credit depends on your CREDIT-ABILITY. Let's see what that means.

CHARACTER, CAPACITY, and CAPITAL are often called "THE 3 C'S OF CREDIT." They are the most important factors used in determining a consumer's credit worthiness or CREDIT-ABILITY.



CHARACTER
Honesty
Credit History
Trustworthiness

CAPACITY
Earning Power
Ability to Pay
Obligations

CAPITAL
Assets
Financial Resources
Collateral or Security

CREDIT - ABILITY

To determine a consumer's credit-ability, three types of questions might be asked:

(1) In the opinions of those who have had previous dealings with you, are you honest? trustworthy? reliable? conscientious? responsible?

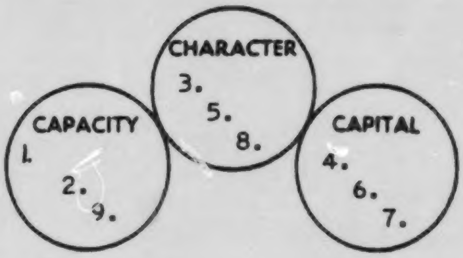
(2) Do you have a job?
Do you earn enough to pay what you will owe?
Is it likely that your income level will not decrease?

(3) What financial resources are behind your commitment to pay?
Do you have money in the bank?
Do you own property?

¿?¡!¡?¿

Apply the 3 C's of Credit.
Place the numbers of those words which you think apply to each term in the correct circle.
The first one is done for you.
Some are easier than others. Your answers may not agree with everyone else.

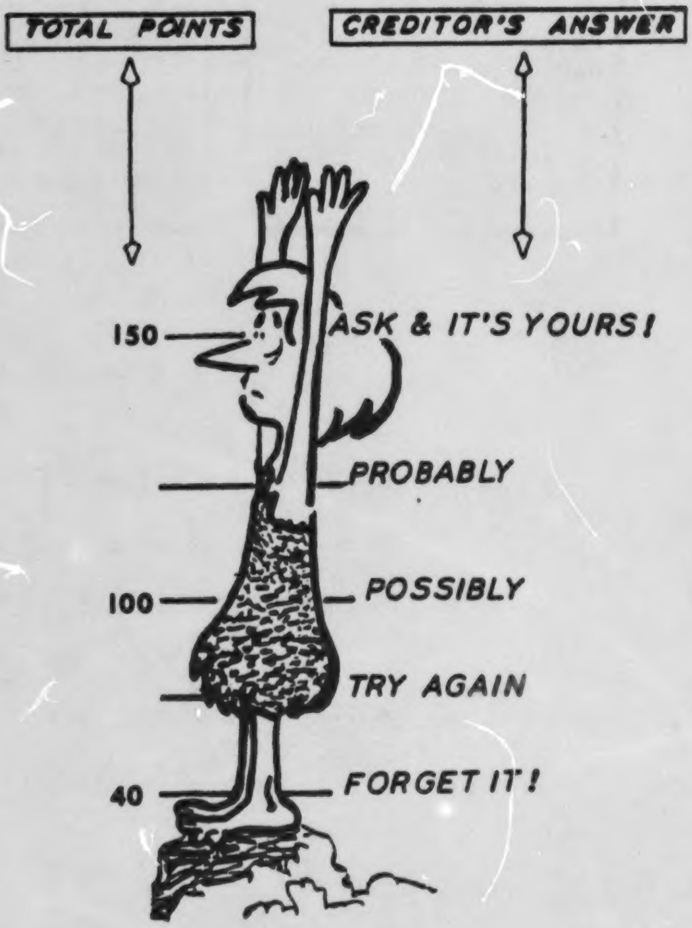
1. JOB ADVANCEMENT
2. DEBT-FREE
3. HONESTY
4. PROPERTY
5. PUNCTUAL
6. SALARY
7. SAVINGS
8. SELF-RELIANT
9. THRIFTY



Use the following sample scale to figure your "score"--Circle the number of points for which you qualify in each category and then total your points. Also score your parents. Is there a difference in the scores? Why?

ANSWERS WILL VARY

FACTOR	POINTS
AGE	
18-24	1
25-34	5
35-44	10
45-64	15
RESIDENCE	
RENT	10
OWN	20
1-3 YRS.	5
3-5 YRS.	10
INCOME	
$75-100 WK.	15
OVER $100 WK.	25
SELF-EMPLOYED	10
WAGES & SALARY	15
EMPLOYMENT	
1-3 YRS.	10
4-10 YRS.	15
MORE THAN 10	25
CREDIT RECORD	
CHECKING ACCT.	10
SAVINGS ACCT.	10
GOOD CREDIT RATING	25
DEBTS TOTAL LESS THAN 2½ TIMES MONTHLY INCOME	10


TOTAL POINTS
CREDITOR'S ANSWER
150
ASK & IT'S YOURS!
PROBABLY
100
POSSIBLY
TRY AGAIN
40
FORGET IT!

X 100

In a democratic society, we want consumers and citizens who are ACTIVE and are competent in dealing with their problems. We don't want frustrated, apathetic persons. We want persons who plan their actions. In the cases just mentioned, the sensible person would have confronted the group charging an interest rate which he felt was too high, or those whom he thought were discriminating against him.

We can see three styles of consumer-citizens across America:

INactive	***REactive***	***PROactive***
A PERSON WHO DOES NOT CARE TO SEE PROBLEMS OR WHO WITHDRAWS FROM FACING PROBLEMS. RETREATS. LETS PROBLEMS SLIDE, HOPING THEY WILL GO AWAY, OR THAT SHE WILL FORGET THEM.	A PERSON WHO SIMPLY RESPONDS TO SITUATIONS AS THEY ARISE. THIS PERSON DEALS WITH PROBLEMS THAT ARE PERSONAL TO HIM OR HER; NOT PROBLEMS AFFECTING OTHERS.	A PERSON WHO LOOKS FOR CONSUMER PROBLEMS AND GOES FORWARD TO ACT ON THEM WITH OTHERS, WORKING FOR FAIR LAWS AND BUSINESS PRACTICES.

What are the consequences of each way of behaving as a consumer-citizen in America?

ANSWERS WILL VARY

How do people *learn* one of these ways of being a consumer-citizen?

ANSWERS WILL VARY

Which way do YOU hope to be?

ANSWERS WILL VARY

What are the Pros and Cons of each way to be a consumer-citizen?

ANSWERS WILL VARY

As consumer-citizens we know that we can work on solutions to our problems at three different LEVELS:

INTERPERSONAL LEVEL	***INTERGROUP LEVEL***	***SOCIAL SYSTEM LEVEL***
WORKING OUT PROBLEMS BY PERSONAL ACTION, CONFRONTING THE SOURCE OF THE PROBLEM.	JOINING WITH OTHERS TO SOLVE PROBLEMS BY GROUP ACTION (COMMON CAUSE, ETC.)	JOINING WITH OTHERS TO CHANGE LAWS AND PRACTICES WHICH IN TURN WILL SOLVE PROBLEMS (POLITICAL PARTIES, POLITICAL ACTION GROUPS, ETC.)

In the following situations, tell what the person SHOULD do at each level. Begin with the INTERPERSONAL LEVEL. Discuss your recommendations with others to get their ideas.

PAY UP YOU DEAD BEAT!!

A. *George Turner made the mistake of borrowing money from a "friendly" guy a relative knew. The interest rates were terribly high, but George needed the money. Now, he is in a panic. He does not have the money, and the loan shark is calling for it.*

What should George do? Why?

ANSWERS WILL VARY

B. CHARLIE ADAIR TRIED TO GET A LOAN FROM SEVERAL SOURCES--HIS BANK, THE CREDIT UNION, A SAVINGS AND LOAN, ETC. ALL HAD TURNED HIM DOWN AND HE WAS IRRITATED. HE WANTED TO BUY THAT SAILBOAT NOW! CHARLIE BELIEVES HE IS A SOLID CREDIT CUSTOMER. BUT THE LENDING INSTITUTIONS IN TOWN DO NOT AGREE.

What should Charlie do? Why?

ANSWERS WILL VARY

C. *Not again! Maria Santos was refused a credit card with Triple-X Company. She has been refused by a number of companies lately, and Maria thinks it has something to do with her being a young woman, beginning her career as a clerk-typist.*

What should Maria do? Why?

ANSWERS WILL VARY

D. OH, BOY! DICK RUBENSTEIN LOANED HIS CREDIT CARD TO HARRY TO PURCHASE A CRATE OF RUBBER DUCKIES. THE STATEMENT JUST ARRIVED FROM THE CREDIT CARD COMPANY, AND HARRY CHARGED AN ADDITIONAL $150.00 WORTH OF GOODS BEFORE RETURNING THE CARD TO DICK. HARRY HAS TAKEN OFF FOR PARTS UNKNOWN. DICK IS UPSET.

What should Dick do? Why?

ANSWERS WILL VARY

Review Time

2 HOW DO I GET IT?

Complete each statement with the correct word.
Then write the letter of each numbered letter in the blanks at the bottom of the page to spell out an important credit rule.

1. There are three basic steps in the process of getting credit. The only step the consumer himself completes is the $\text{APPL}\underset{2}{\text{I}}\text{CATIO}\underset{9}{\text{N}}$ for credit.

2. There are three basic considerations in granting credit. Write the one which applies in each situation.

   You have a large savings account. $\text{CAPI}\underset{3}{\text{T}}\text{AL}$

   All your neighbors think you are an O.K. person. $\text{CHA}\underset{1}{\text{R}}\text{ACT}\underset{5}{\text{E}}\text{R}$

   You have worked for the same company for five years. CAPACITY

3. Personal history, employment data, personal information, credit history, & public records are all part of your credit record which is on file with the local $\text{CRE}\underset{7}{\text{D}}\text{IT}$ $\text{BUREA}\underset{4}{\text{U}}$

4. Your credit RECORD will be with you all your adult life.

5. $\underset{6}{\text{C}}\text{OLL}\underset{8}{\text{A}}\text{TERAL}$ is security for a loan.

THE $\underset{1}{\text{R}}\underset{2}{\text{I}}\text{GH}\underset{3}{\text{T}}$ 2 $\underset{4}{\text{U}}\text{S}\underset{5}{\text{E}}$ $\underset{6}{\text{C}}\underset{1}{\text{R}}\underset{5}{\text{E}}\underset{7}{\text{D}}\underset{2}{\text{I}}\underset{3}{\text{T}}$ $\text{M}\underset{4}{\text{U}}\text{S}\underset{3}{\text{T}}$ B $\underset{5}{\text{E}}\underset{8}{\text{A}}\underset{1}{\text{R}}\underset{9}{\text{N}}\underset{5}{\text{E}}\underset{7}{\text{D}}$

#105

Evaluate each of the following credit situations:

JOSE AND ANITA, A YOUNG MARRIED COUPLE, ARE RECENT ARRIVALS IN TOWN. THEY HAVE RENTED A SMALL APARTMENT AND HAVE A SMALL SAVINGS ACCOUNT. JOSE HAS A JOB WHICH PAYS $160 A WEEK AND ANITA IS LOOKING FOR A JOB.

ROB AND RITA HAVE LIVED IN THE SAME COMMUNITY FOR TWENTY YEARS. THEY ARE IN THEIR FORTIES, AND RITA IS A MANAGER OF A LOCAL FIRM WHERE SHE EARNS $250 A WEEK. ROB IS A TEACHER AND MAKES $15,000 PER YEAR. THEY HAVE A $10,000 MORTGAGE ON A $40,000 HOME.

BOTH COUPLES APPLY FOR A LOAN AT THE LOCAL FINANCE COMPANY IN ORDER TO BUY A NEW CAR. WHICH APPLICANT IS MORE LIKELY TO RECEIVE THE LOAN? WHY?

ANSWERS WILL VARY

HAROLD HAS JUST BEEN DENIED CREDIT AT A MAJOR APPLIANCE STORE. THE CREDIT MANAGER INFORMED HAROLD THAT THEY NORMALLY WOULD HAVE GIVEN CREDIT TO A PERSON WITH HIS INCOME, BUT THAT THE CREDIT BUREAU SENT THEM AN UNFAVORABLE REPORT.

HAROLD FEELS THERE MUST HAVE BEEN A MISTAKE. WHAT ACTION CAN HE TAKE TO CHECK AND CORRECT ANY POSSIBLE ERRORS?

ANSWERS WILL VARY

NUMBER OF INSTALLMENTS × AMOUNT OF EACH PAYMENT − CASH PRICE OF ITEM = *DOLLAR COST OF CREDIT*

*Note that the _downpayment_ does not appear in this equation.
The downpayment is cash paid and credit cost does not apply to this amount.

50 lbs.
50 lbs.

Exercises

Try the following examples:

THE HAZZARDS ARE SHOPPING FOR A STEREO TAPE DECK AND RADIO. HAPP IS TALENTED AT WORKING WITH ELECTRICAL DEVICES AND HAS A GOOD JOB. HE LOCATES WHAT HE WANTS AT A PRICE HE FEELS HE CAN AFFORD, $190. WHILE SHOPPING AT VARIOUS SOURCES OF CREDIT, HE IS OFFERED THE FOLLOWING:

NO DOWNPAYMENT, CASH PRICE: $190

SOURCE OF CREDIT	TERMS	TOTAL COST	CREDIT COST
Discount Store	$20.40 for 12 mo.	$ 244.80	$ 54.80
Mail Order Store	$18.80 for 12 mo.	$ 225.60	$ 35.60
Borrow $190 from a bank & pay cash	$17.08 for 12 mo.	$ 213.60	$ 23.60

Happ is buying a new set of clubs from a department store and has signed a contract for purchasing it on time. The price is $379. He has paid $25 down and will pay $11 for 42 months.

What would the finance charge be?

Circle the correct amount: $88 $180 [✓ $108] $18

WHEN THE HAZZARDS PURCHASED A BLACK AND WHITE TV THEY CHECKED AT FOUR DIFFERENT STORES TO COMPARE THE DOLLAR COST OF CREDIT. BELOW ARE THE FOUR DIFFERENT OFFERS THAT WERE MADE FOR A TWO HUNDRED FORTY DOLLAR SET:

STORE	TERMS
A	$40 DOWN AND $19.67 A MONTH FOR 12 MONTHS
B	$60 DOWN AND $40.00 A MONTH FOR 6 MONTHS
C	$50 DOWN AND $13.50 A MONTH FOR 18 MONTHS
D	$20 DOWN AND $12.75 A MONTH FOR 24 MONTHS

COMPLETE THE CHART TO DETERMINE WHICH STORE WAS OFFERING THE BEST TERMS.

STORE	DOWN PAYMENT	MONTHLY PAYMENT	NUMBER OF MONTHS	TOTAL TO BE PAID	AMOUNT FINANCED	DOLLAR COST
A	$40.00	$19.67	12	$236.04	$200	$36.04
B	$ 60.00	$ 40.00	6	$240.00	$180.00	$ 60.00
C	$ 50.00	$ 13.50	18	$243.00	$190.00	$ 53.00
D	$ 20.00	$ 12.75	24	$309.06	$220.00	$ 89.06

Review Time

3 HOW MUCH?

1. Name the 3 factors which control the amount of interest you pay when using credit.

How MUCH MONEY YOU BORROW

How LONG THE LOAN IS FOR

How HIGH THE INTEREST RATE

2. Complete the following rules to use when you want the most credit for the least cost:

AVOID HASTY BUYING

SHOP FOR THE LOWEST APR

MAKE THE BIGGEST DOWNPAYMENT
YOUR BUDGET WILL ALLOW

CHOOSE THE SHORTEST TIME POSSIBLE

KNOW WHAT YOU ARE SIGNING

3. *Nancy Cutone bought a used car valued at $1,800. Under the terms of her loan, she made a down payment of $600. The balance was paid in twelve monthly installments of $109.*

What was the actual dollar cost of the credit? $108

× 109

Review Time

4 TOO MUCH?

T	F		
X		1.	A safe amount for credit is not more than 20% of your take-home pay.
X		2.	Using credit can be dangerous because it is spending money you have not earned yet.
	X	3.	Private consumer counseling services or debt adjustors are the best source of free credit advice.
X		4.	Bankruptcy should only be considered when all else has failed.
	X	5.	The Wage-Earner Plan is a method of Wage Garnishment.
X		6.	It is often possible to reschedule your payments if you contact your creditors before you get into real difficulty.
	X	7.	There are no free credit counseling services available to the consumer.
	X	8.	When determining your limit for misleading credit, include your home mortgage.
X		9.	A creditor may attach part of a wage-earner's salary to repay debts.
X		10.	Bankruptcy is the most damaging item to be included in a credit record.

11. List two ways a credit counseling service might help a consumer with credit problems. ANSWERS MAY VARY, BUT SHOULD INCLUDE:

A. BUDGET PLANNING

B. ARRANGING PAYMENT PLANS WITH CREDITORS

12. Use the 20% of take-home pay guideline to determine a safe amount of installment credit for the following monthly incomes:

$750	$ 150 mo.
$1080	$ 216 mo.
$1550	$ 310 mo.

13. Use the 20% guideline to decide a safe amount of installment credit for each person. Each already has a $150 a month car payment.

Income	20% Credit Guideline	Remaining Available Credit
$1000	$ 200	$ 50
$1500	300	150
$1950	390	240

14. Discuss: "Credit can be too easy to use."

ANSWERS WILL VARY

15. List three rules to follow to prevent using too much credit.

ANSWERS WILL VARY

Review Time

5

HELP!

Read each of the credit situations below. Decide how the consumer should exercise his credit rights. Choose your answers from the following list:

1. Better Business Bureau
2. Equal Credit Opportunity Act
3. Fair Credit Reporting Act
4. Regulation Z
5. Small Claims Court or County Court
6. Truth in Lending
7. U. S. Post Office

Write the number of the answer you have chosen on the blank for each situation.

__2__ *A wife is denied credit in her own name.*

__3__ *A credit bureau refuses to disclose information to the consumer concerning information in his credit file.*

__7__ *A mail credit offer was a fraud.*

__5__ *A loan was made to a friend who refuses to repay the loan.*

__1__ *A local store does not seem to keep proper records of payments.*

Evaluate the statement:

"Credit should be regarded as a right rather than a privilege."

STUDENT PAL

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IN THEIR CLASSROOMS.

MONEY MANAGEMENT
CREDIT

CH..A..A..RGE!!

CREDIT CITY

114

Skills For
Consumers
Applied
Today

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Be it known that this consumer education instructional unit has not been endorsed by either the Florida Department of Education or the United States Office of Education; and that the points of view or opinions expressed do not necessarily represent the official policy of these agencies.

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WELCOME to this PAL*, a consumer resource booklet. The two characters shown on this page are the Hazzards -- Ms. Happ and Happ Hazzard. You will find them in many of the illustrations used throughout this booklet.

Important information is divided into chapters or sections. Each section begins with a title page and includes:

PASSWORDS which give the special meanings for the words used in that section.

REVIEW TIME exercises to determine what you have learned.

Have fun, study hard, and become a conscientious consumer.

*PAL: Packaged Activities for Learning

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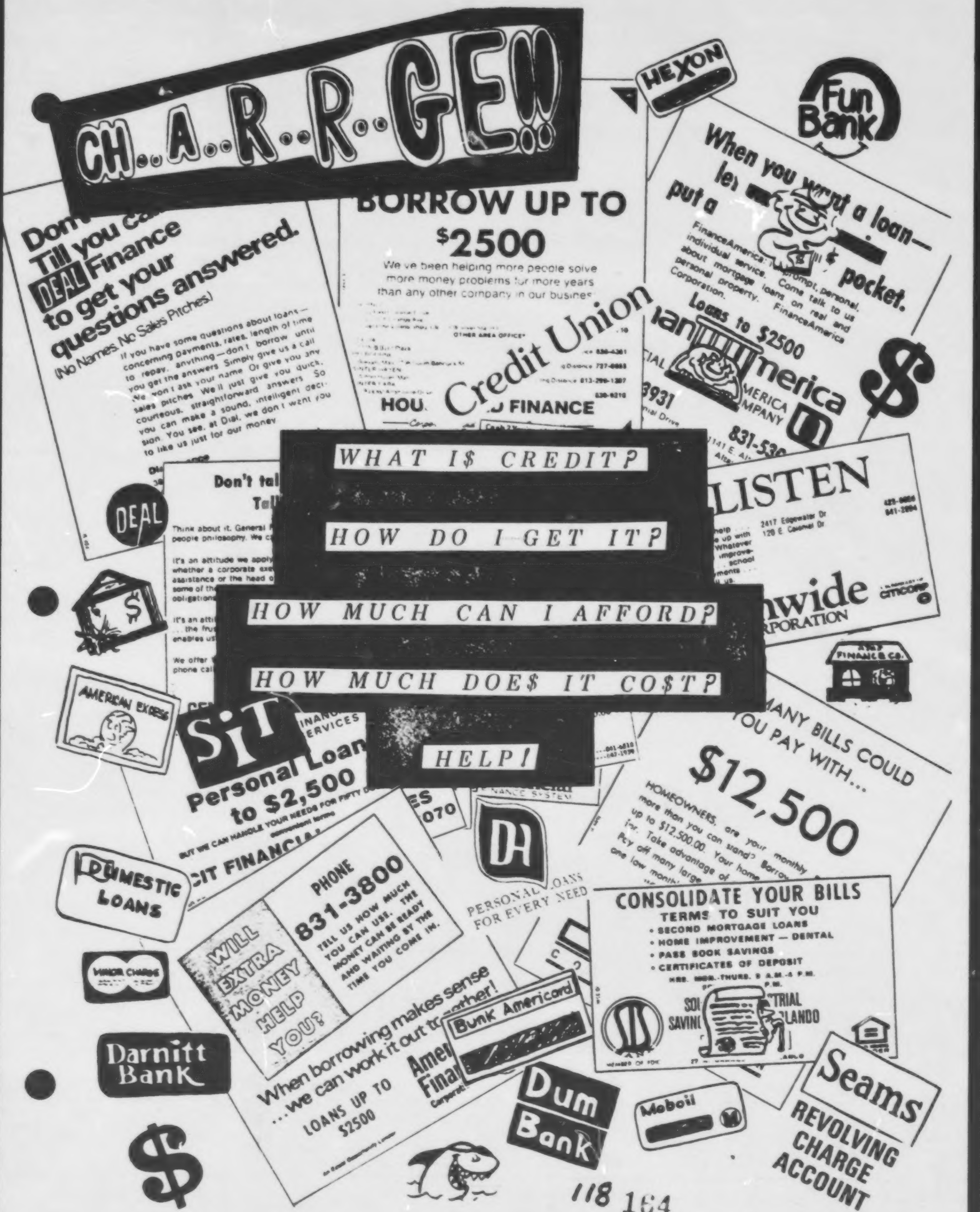
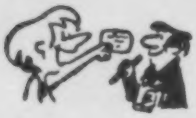
Users of the consumer skills presented in this resource booklet come in both genders, female and male. The text and dialogues sometimes say "he," sometimes "she," sometimes "you," sometimes "the person." Please feel free to substitute the feminine for the masculine pronoun, and vice versa, any time it is appropriate to your situation.


CH..A..R..R..GE!!
WHAT I$ CREDIT?
HOW DO I GET IT?
HOW MUCH CAN I AFFORD?
HOW MUCH DOE$ IT CO$T?
HELP!
HEXON
Fun Bank
When you want a loan—
put a
pocket.
Loans to $2500
831-53
BORROW UP TO
$2500
We've been helping more people solve more money problems for more years than any other company in our business
Credit Union
FINANCE
Till you call
DEAL Finance
to get your
questions answered.
(No Names. No Sales Pitches)
DEAL
Don't tal
LISTEN
nwide
CORPORATION
CITICORP
FINANCE CO.
AMERICAN EXPRESS
SIT
FINANCIAL SERVICES
Personal Loan
to $2,500
CIT FINANCIAL
MANY BILLS COULD
YOU PAY WITH...
$12,500
DA
PERSONAL LOANS FOR EVERY NEED
DUMESTIC LOANS
PHONE
831-3800
TELL US HOW MUCH YOU CAN USE. THE MONEY CAN BE READY AND WAITING BY THE TIME YOU COME IN.
WILL EXTRA MONEY HELP YOU?
CONSOLIDATE YOUR BILLS
TERMS TO SUIT YOU
• SECOND MORTGAGE LOANS
• HOME IMPROVEMENT — DENTAL
• PASS BOOK SAVINGS
• CERTIFICATES OF DEPOSIT
MINOR CHARGE
Darnitt Bank
When borrowing makes sense
...we can work it out together!
LOANS UP TO $2500
Bunk Americard
Dum Bank
Moboil
Seams
REVOLVING CHARGE ACCOUNT

118 164

CH..A..R..R..GE!!

PAYING CASH IS NOT
THE ONLY WAY WE CAN
PAY FOR THE THINGS
WE WANT.



ANOTHER WAY IS PURCHASING GOODS OR SERVICES ON CREDIT.

CREDIT IS A PROMISE TO PAY IN THE FUTURE FOR GOODS, SERVICES, OR MONEY RECEIVED NOW.

AS YOU WORK THROUGH THIS PAL* YOU WILL LEARN ABOUT:

- WHAT CREDIT IS
- ADVANTAGES & DISADVANTAGES OF CREDIT
- KINDS OF CONSUMER CREDIT
- HOW TO FILL OUT CREDIT APPLICATIONS
- CREDIT BUREAUS
- THE COST OF CREDIT
- CREDIT RATINGS
- TOO MUCH CREDIT
- CREDIT PROBLEMS
- THE FAIR CREDIT REPORTING ACT
- THE TRUTH IN LENDING LAW

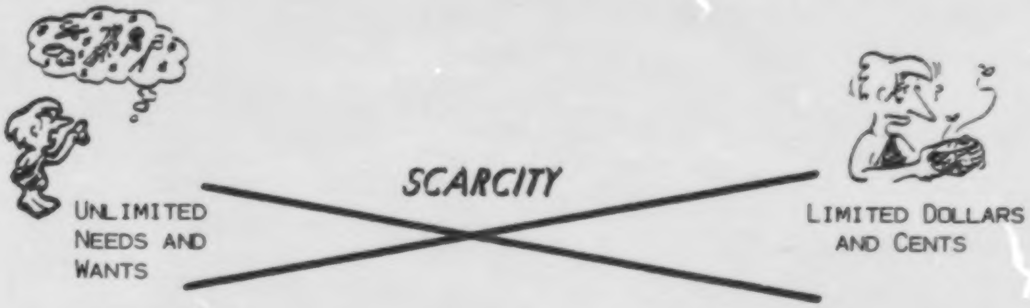
---

*PAL: Packaged Activities for Learning

SCARCITY AND CREDIT

Credit and credit cards remind us of that old problem, SCARCITY.

Borrowing money is one way that we "solve" the problem of scarcity for the moment. Of course, we later have to repay what we borrow, plus pay the credit charges and interest.



SO WE HAVE TO MAKE
HARD CHOICES ABOUT
WHAT IS MOST IMPORTANT.

HOWEVER,

IF WE ARE TRUSTWORTHY,
WE MIGHT BORROW MONEY NOW
TO MEET OUR NEEDS OR TO
FULFILL OUR WANTS -- BUT
AT A DOLLARS & CENTS COST.

For example, Bob McCulloch needs to put food on his family's table now, but he will not harvest the crops and sell them for another six weeks. He has a NEED and he decides to meet it by borrowing money.

CHOICE (What Bob will do)	***COST*** (What Bob will not be able to do)
Bob will borrow a thousand dollars from his bank to feed the family and meet household expenses for six weeks.	*(Fill in the COSTS for Bob)*

Or, Harriet Kontos has decided to add a little excitement to her life. She is taking up stock car racing with a friend. They have saved $6,000, but they need another $6,000 to get into the circuit. Harriet and friend have a WANT (some might say a "luxury") and they want to fulfill it.

CHOICE (What Harriet & friend will do)	***COST*** (What Harriet & friend will then not be able to do)

When you think about borrowing money, what FEELINGS come to mind? Check ✓ yours:

NERVOUS
GUILT
FEAR
JEALOUS
INCAPABLE
EMPTY
DUMB
AFRAID
OPTIMISTIC
ENVY
PROUD
WARM
IRRITATED
DEPENDENT
HUMBLE
ANGER
SAFE
DEPRESSED
LOVING
SENTIMENTAL
CLEVER
HURT
JOY
SECURE
SMART
UNWORTHY
SYMPATHY
FRIENDLY

Feeling words reveal our attitudes toward CREDIT and BORROWING.
How did you learn your feelings/attitudes toward CREDIT and BORROWING?
One of the things we want to do in this PAL is to see if our feelings about CREDIT and BORROWING are realistic.

1

WHAT IS CREDIT?*

HEXON
Fun Bank
$
AJAX FINANCE CO.
Maboil
Bank Americard

*DEFINITION & DESCRIPTION
ADVANTAGES & DISADVANTAGES
EXAMPLES OF CREDIT
TYPES OF CREDIT ACCOUNTS
TYPES OF LOANS

DICTIONARY

passwords ...

1 WHAT IS CREDIT?

ASSET	*Possession* *Anything owned which has exchange value*
BANK	*An establishment for receiving, keeping lending and issuing money*
CHARGE ACCOUNT	*The privilege of using credit in making purchases in a retail store*
COLLATERAL	*Anything of value which guarantees the payment of a loan; Security; Collateral may be taken if loan is not repaid*
CREDIT	*The system which allows consumers to obtain goods, services or money and to pay at a later date*
CREDIT CARD	*An identification card which establishes the fact that you are entitled to use credit at specific outlets for specific purposes*
CREDIT HISTORY	*A record of a consumer's use of credit, especially his past record of meeting credit payments*
CREDIT LIMIT	*The maximum dollar amount which can be charged*
CREDIT RATING	*An evaluation of a consumer's qualifications to receive credit; based on several factors, especially the past record of meeting credit payments*
CREDIT UNION	*An organization of persons who band together for the purpose of saving money and lending money to each other at a low interest rate*
DEBT	*Something owed*

DEBT CONSOLIDATION	Plan for paying many creditors by borrowing enough money to repay them all while repaying the loan over a longer period of time
FINANCE COMPANY	A business firm whose chief activity is to make cash installment loans to individuals
INSTALLMENT	One of a series of payments to pay off a debt
LOAN SHARKS	Illegal, unlicensed money lenders who charge extremely high interest rates
MORTGAGE	A pledging of real property to a creditor as security for the payment of a debt
OUTSTANDING	Owed
PAWNSHOP	A business establishment which lends cash for items of personal property which are left as security
PROFESSIONAL SERVICES	Personal services provided by doctors, dentists, accountants, lawyers, etc.
QUALIFICATIONS	Requirements
REPOSSESSION	The taking back of goods by either the seller or lender when the consumer is not able to make payments
REQUIREMENTS	Qualifications
SAVINGS AND LOAN	Financial establishment which specializes in home mortgage and home improvement loans; such loans are made available because of savings dollars on deposit
SERVICE CHARGE	"Handling charge"--a fee charged for services performed; amount charged for use of credit
STANDARD OF LIVING	The level of necessities, comforts, and luxuries enjoyed or desired by an individual or group
UTILITIES	Public services such as power, water, sewerage, and telephone

Ready to Move On?

Do You Know the Passwords?

WHAT IS CREDIT?

CREDIT may be defined as

an economic transaction.

a trusting relationship.

an agreement by which a government, business, industry or individual may obtain immediate use of goods, services or dollars & pay for them later.

a service for which those who use it are expected to pay.

the way to buy an expensive item if you don't have cash.

the "Buy Now & Pay Later" way of life for millions of Americans.

As a consumer in the United States today you need to be a wise credit consumer. CREDIT is the system which allows consumers to obtain goods, services or money and to pay at a later date. It is BIG business in the United States. According to the Federal Reserve System there are 300 million credit cards in use in the United States today. Outstanding consumer credit loans amount to $150 billion.

Your feelings about consumer credit might agree with some of the feelings expressed below:

Credit is a valuable asset and should be used.

Credit helps our country grow.

Credit can be either your master or your servant.

Credit can help you achieve many of the things you want, but you can't have everything.

You have to pay for the credit services you get, because there usually is a charge for the privilege of using someone else's money.

Credit means debt, and all debt is bad.

Credit is an accepted way of life in America.

The average American is too easily tempted to use credit without realizing how much it really costs.

The cost of credit is worth the satisfaction of buying and using goods now.

With a credit purchase, the seller is placing his trust in the buyer's intention and ability to pay the debt at a later date. Like money, credit is a medium of exchange.

Many things in our life are bought on credit. Large purchases such as homes, cars and big appliances are often bought this way because few of us have enough funds to pay cash.

Even utilities, such as electricity and water, are bought on credit. We use these services and are billed monthly on the amount of water or electricity we have used.

Education may also be bought with credit.

Exercises

SEVEN OF THE CIRCUMSTANCES DESCRIBED BELOW ARE EXAMPLES OF CREDIT.
SEE IF YOU CAN DECIDE WHICH SEVEN.
CIRCLE THE NUMBER OF EACH CIRCUMSTANCE WHICH IS AN EXAMPLE OF CREDIT.

1. You pay cash for a new outboard motor and boat at a boat sale.
2. You receive a monthly statement from your doctor.
3. You receive word that you have won five hundred dollars from a local talk show.
4. You pick up the receiver of your newly installed phone and are soon talking to your parents who are a thousand miles away.
5. Your friend Bill gives you the $5 deposit you need for your yearbook. You promise to pay him $6 on payday.
6. You buy a used automobile for nothing down and twelve payments of $92 a month.
7. You turn on your TV set.

8. You send a check each month to your church for a previously-agreed-upon amount.
9. You pay $100 down and $80 a month for part ownership in an airplane.
10. You have dinner with two friends and use a credit card to take care of the bill.

CREDIT HAS ITS *ADVANTAGES* & ***DIS**ADVANTAGES*

Almost everything you can think of has good points and bad points.
Credit is no different.
The informed consumer will be able to make better judgments if he is aware of some of each.
Study the list of advantages & disadvantages of using credit.
Then decide.

+	−
Provides immediate use of goods & services	Costs money
Makes purchasing convenient	Discourages comparison shopping
Helps to improve the standard of living	May require payments after consumer tires of item
Provides an accurate record of spending	Ties up future income
Helps in getting a good credit rating	Risks repossession if payments are not made
Allows immediate handling of many emergencies	May decrease reserve for emergencies

Makes debt consolidation possible	Tempts the consumer to overspend
Supports mass production, mass distribution, & mass consumption, providing more products for more consumers	May require payments after the article purchased is of no further value

Of course it is possible to list a great many more advantages and disadvantages of credit if we were to think of each of the types of credit available in both the sales and cash areas.

Think of the last purchase you or someone in your family made on credit. Do you think the purchase involved a wise use of credit?

50 lbs.
50 lbs.

Exercises

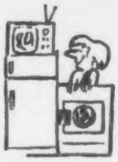
IT'S EASY TO TELL AN ADVANTAGE FROM A DISADVANTAGE, RIGHT? RIGHT!
LET'S SEE.
IF THE FOLLOWING PHRASES ARE ADVANTAGES OF CREDIT, WRITE A; IF DISADVANTAGES, WRITE D.

1. ___ use the goods or services while paying for them
2. ___ buy something while it's on sale
3. ___ pay more than the actual cost of the item
4. ___ take advantage of a "once in a lifetime" opportunity
5. ___ worry because of a missed payment
6. ___ spend future income
7. ___ handle emergency problems on the spot
8. ___ buy on impulse instead of thinking it through
9. ___ raise the standard of living for you and your family
10. ___ promise to pay money you don't have

WHETHER YOU'RE BUYING OR BORROWING, DON'T BE TRAPPED BY CREDIT. KNOW ALL THE FACTS BEFORE YOU COMMIT YOURSELF TO ANY ARRANGEMENT THAT MEANS YOU PAY LATER FOR WHAT YOU GET NOW.

[illegible] 128

Think of as many examples of credit as you can. They might include such things as:



- Using a credit card to make purchases
- Purchasing on an installment plan from a furniture store
- Buying a car with monthly payments
- Making mortgage payments on a home
- Paying monthly utility bills
- Receiving an advance on your allowance
- Borrowing from a bank, consumer finance company, or pawn shop

No matter what the example of credit mentioned, credit is one of two major types:

SALES OR CASH

SALES or PURCHASE CREDIT is the purchase of goods and services.

CASH LOAN or BORROWING CREDIT is cash.

Any further classification of credit is according to the method of repayment.

SALES

- CHARGE ACCOUNTS
- CREDIT CARDS
- PROFESSIONAL SERVICES
- UTILITIES

CASH

- BANK LOANS
- CREDIT UNION LOANS
- FINANCE COMPANY LOANS
- PAWNSHOP LOANS
- SAVINGS & LOAN MORTGAGES, ETC.
- LOAN SHARK LOANS

Let's take a look at each of these types of credit →

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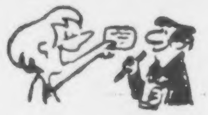
CHARGE ACCOUNTS are types of "store" accounts. They differ according to credit limits and payment methods. Three of the most common charge accounts are the *OPEN ACCOUNT, REVOLVING OR FLEXIBLE ACCOUNTS*, and *INSTALLMENT PURCHASING ACCOUNTS*.



OPEN ACCOUNTS

Open Accounts are sometimes called 30-Day Accounts. They allow the customer to charge items and pay for them at the end of the billing period. There are no service charges.

Open Accounts are the same as paying cash. They are a convenience for the consumer. These accounts are a privilege granted only to those who have a good credit rating.

Revolving credit is credit which is continuously renewed as past credit balances are paid off.

Principles of installment buying and the traditional charge account are combined in the revolving or flexible account.

A credit limit is set according to what the consumer can afford to pay. The store will not sell to the customer above the agreed-upon limit.

A service charge is charged on the unpaid balance. The charge is usually 1½% per month. A minimum payment is required each month. However, the customer has the option of paying the total amount or only a part of it.

REVOLVING OR FLEXIBLE ACCOUNTS

INSTALLMENT PURCHASE ACCOUNTS

Installment purchase accounts are specialized accounts for the purchasing of higher-priced items such as appliances. These are payment plans in which the purchase price and interest charges are divided into equal installments. The consumer usually pays for the purchase over a 3-month to a 3-year period.

The finance charge is usually 18% per year. However, it may be higher.

The buyer is usually not the legal owner until the item is paid for.

#130

YOUNG ADULT ACCOUNTS are offered by some stores. These accounts are revolving, but with a very modest limit on the amount which can be owed. For example, a store might permit revolving credit of no more than $30 outstanding at any one time with minimum payments of $5 per month. Such accounts are an advantage to the young consumer who wishes to begin establishing his credit history.

CREDIT CARDS

Credit cards are issued by department stores, banks, oil companies, etc. The credit card has become a way of life in the United States. The 300+ million credit cards in use today offer the consumer the flexibility to purchase a wide variety of goods and services from many businesses on a single card.

Most credit cards offer the consumer the option of the 30-day account or revolving credit. Many consumers use credit cards as a convenience. It is not necessary to carry cash and consumers pay all charges when due.

Finance charges are usually 1½% per month on the unpaid balance.

It is probably wise for the credit consumer to have only one or two credit cards and revolving charge accounts as a guard against overextending himself.

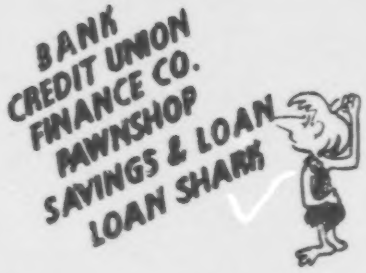
SERVICES

The purchase or use of services before the services are paid for is called service credit. Examples of such credit are medical and dental services, and any other services for which monthly statements are sent to the consumer. Gasoline credit cards and the use of credit cards for motel, hotel, and restaurant services might also be thought of as examples of service credit.

UTILITIES

ZAP!
CRACKLE!
POP

Although we use them every day, we do not usually think of utilities as an example of credit. But every time you use water, electricity, or even the telephone in your home, you are using credit. You have used the service before you are required to pay for it. The water is gone, the electricity is used, and the phone calls are all completed before the bill arrives.



Cash loans may be classified by the sources of the loans.

Banks, credit unions, finance companies, pawnshops, savings and loan institutions, and even insurance companies make cash loans to consumers.

Each loan source has its own requirements for qualifying for a loan, and interest rates charged vary greatly.

Let's take a look at each source:

[1]BANK

Banks are the largest credit-extending institutions in America. They offer a variety of lending services, and may provide credit either with or without collateral.

Not everyone can qualify for a bank loan, however. Qualifications are often too strict for the young consumer to meet. Young borrowers also need a co-signer who is financially established.

Interest rates vary from approximately 12 to 18 percent.

Credit unions offer low-interest loans to members by lending members' savings dollars.

Although it is easier to qualify for a credit union loan than a bank loan, not everyone can belong to a credit union.

Interest rates vary from approximately 6 to 12 percent according to the type of loan.

[2]CREDIT UNION

[3]FINANCE CO.

Finance companies are sometimes called consumer finance companies. Their specialty is small loans to the wage-earner.

Loans are more expensive for the consumer because of the higher interest rates. But they are often the only reasonably-priced source of loans for the young consumer.

Interest rates vary from approximately 12 to 36 percent, depending upon the state where the loan is made.

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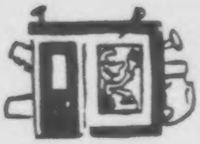
Pawnshops offer a specialized service--immediate cash. The consumer brings in something valuable as security and is lent money based on the value of the article. However, the loan is for much less than the value of the item.

If the item is not reclaimed, the dealer may sell the item after six months.

Interest rates--often quoted as service and storage charges--are as high or higher than a finance company.

[4]PAWNSHOP



[5]SAVINGS & LOAN

Savings & loan associations specialize in home mortgages and home improvement loans.

Because of the size of such loans, many consumers find qualifying for home mortgages the most difficult.

Interest rates have varied from approximately 7 to 12 percent.

* * *

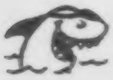
In addition, there are other credit sources about which the wise credit consumer should be informed:

A low-interest credit source ignored by many consumers is the life insurance policy. The consumer may borrow against the cash value of his policy. He may even choose not to repay the loan. Such a choice decreases the value of the policy, however.

Friends and relatives are NOT good sources of credit. Such arrangements have been known to cause many long-lasting family difficulties.

The wise consumer will choose a source whose business it is to lend money.

Loan sharks are ILLEGAL, unlicensed money lenders to be avoided at all costs.



Although anyone can qualify for a loan from a loan shark, the lender may resort to violence if the borrower is unable to pay up.

Interest rates are unlimited and may go higher than 1000%. This is called *usury*.

◆

CAUTION: There are right & wrong reasons for credit

Sometimes it is so easy to get credit that borrowing may be done for the wrong reasons. Be informed to such reasons:

GOOD ***REASONS FOR BORROWING***

- To establish a household or begin a family
- To make major purchases
- *Genuine* emergencies
- Seasonal sales or specials
- College or education expenses

Remember, however, that even when the reason for borrowing is a "good" one, the best buys should be made in both the items purchased and the cost of credit. Seasonal sales and specials, for example, are not bargains if the items are not real needs and will not be good buys when the cost of credit is added to the purchase price.

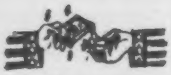
POOR ***REASONS FOR BORROWING***

- Buying something impulsively
- Charging purchases to boost morale
- To increase personal status
- To base repayment plans on future salary increases
- To meet your current living expenses
- To purchase something that will be used up or worn out before the final credit payment is made

What are the pros and cons of cash loan sources? The consumer needs to be informed if he is to make a wise decision in choosing credit. Study the chart on the next page and note that each source has both good and poor reasons for choosing that loan source for your credit.

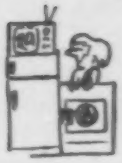
WHERE to get credit also depends on the purpose for which the credit is needed. The sources vary with the need:

PERSONAL CASH LOANS



Commercial Banks
Small-Loan Companies
Savings & Loan Associations
Life Insurance Companies
Pawnbrokers
Friends or Relatives
Private Lenders (who may be loan sharks)

CONSUMER GOODS OR SERVICES



Store Charge Accounts & Revolving Credit Accounts
Restaurant, Hotel, Motel, Gasoline Credit Cards
All-purpose Credit Cards
Bank Credit Cards
Commercial Banks
Credit Unions
Finance Companies

PURCHASE OF CARS

Commercial Banks
Finance Companies
Automobile Dealers
Credit Unions

HOME OWNERSHIP

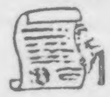
Savings & Loan Associations
Commercial Banks
Life Insurance Companies
Credit Unions
Mortgage Lenders

HOME IMPROVEMENTS

Commercial Banks
Savings & Loan Associations
Credit Unions
Finance Companies

EDUCATION

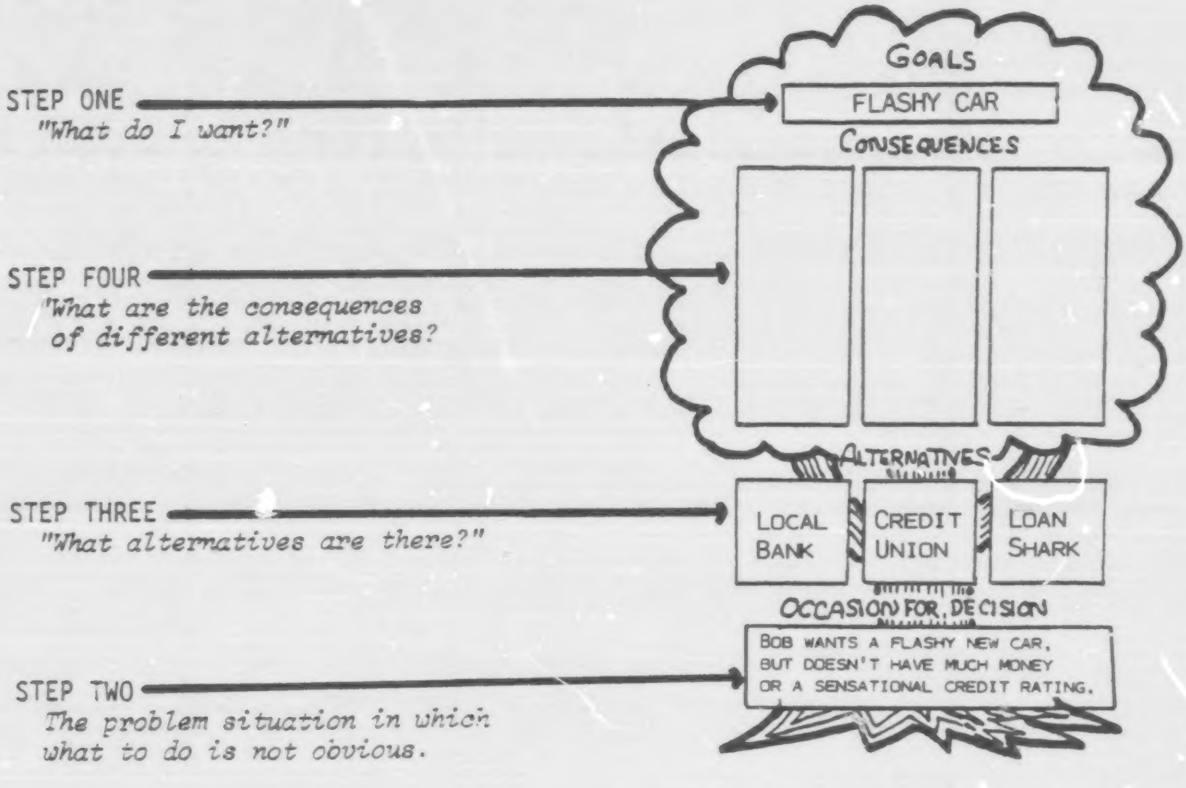
College or University Student Aid Funds
Commercial Banks
Professional Associations
Alumni or Fraternity Associations
Government-Guaranteed Loans

LOAN SOURCE	PRO	CON
BANK	VARIETY OF LOAN SERVICES	STRICT QUALIFICATION REQUIREMENTS
CREDIT UNION	LOW INTEREST CHARGES	NOT EVERYONE CAN BELONG TO A CREDIT UNION
FINANCE CO.	SMALL LOANS READILY AVAILABLE	HIGH INTEREST RATES
LOAN SHARK	NO QUALIFICATION OR SECURITY REQUIREMENTS	EXTREMELY HIGH INTEREST RATES
PAWNSHOP	IMMEDIATE CASH	HIGH INTEREST LOW APPRAISED VALUE ON ITEMS USED FOR SECURITY
SAVINGS & LOAN	MAKES HOME OWNERSHIP & IMPROVEMENT POSSIBLE	DIFFICULT TO QUALIFY
 INSURANCE	LOW INTEREST LOAN NEED NOT BE REPAID	LOAN DECREASES VALUE OF POLICY

Bob wants a new, flashy car. But he does not have much money or a solid credit rating. He thinks he has three alternatives (of course, he has four--he could refrain from buying a flashy, new car!)

Please help Bob by working out the consequences for the four alternatives, and recommend a *decision* for him (What should he do?).

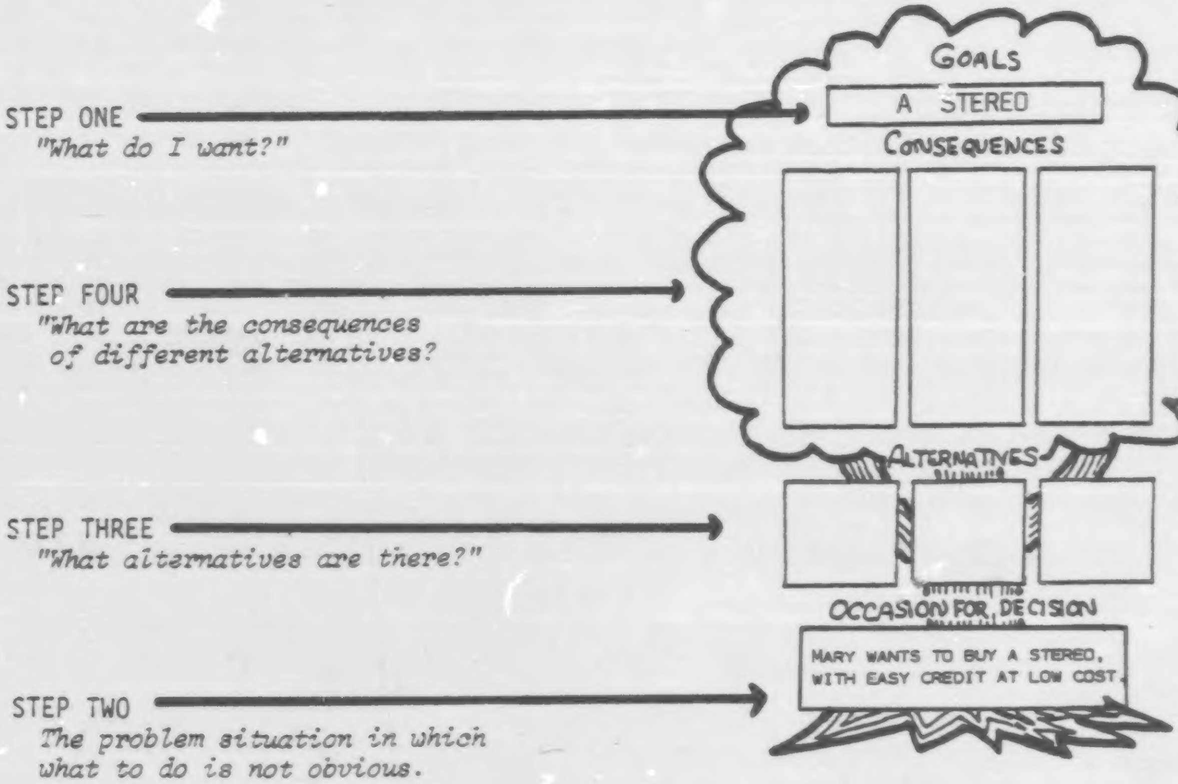
DECISION-TREE FOR BOB


GOALS
FLASHY CAR
CONSEQUENCES
ALTERNATIVES
LOCAL BANK
CREDIT UNION
LOAN SHARK
OCCASION FOR DECISION
BOB WANTS A FLASHY NEW CAR, BUT DOESN'T HAVE MUCH MONEY OR A SENSATIONAL CREDIT RATING.
STEP ONE
"What do I want?"
STEP FOUR
"What are the consequences of different alternatives?
STEP THREE
"What alternatives are there?"
STEP TWO
The problem situation in which what to do is not obvious.

Mary wants to purchase a stereo set and she has chosen one in her price range. She can make a one-third downpayment, but needs to "borrow" the rest of the purchase price. She can borrow the money from her bank, she can go to her credit union where she works, or she can use the store's 90-day credit plan and pay the remaining price in three payments spread over three 30-day periods. The store does not charge interest for this plan.

Use the "TREE" to fill out Mary's alternatives. Fill in the consequences of each alternative as you see them. Then, make a recommendation to Mary about what she should do.

DECISION-TREE FOR MARY


GOALS
A STEREO
CONSEQUENCES
ALTERNATIVES
OCCASION FOR DECISION
MARY WANTS TO BUY A STEREO, WITH EASY CREDIT AT LOW COST.
STEP ONE
"What do I want?"
STEP FOUR
"What are the consequences of different alternatives?
STEP THREE
"What alternatives are there?"
STEP TWO
The problem situation in which what to do is not obvious.

Review Time

WHAT IS CREDIT?

1. Write a definition of credit: ____
____

2. Name the 2 major types of credit: (1) ______________________________
(2) ______________________________

3. Identify the source of credit you would use in each situation:

________________ THE LOCAL DEPARTMENT STORE ALLOWS YOU TO "CHARGE IT"

________________ THE HOME OF YOUR DREAMS IS FOR SALE

________________ YOU NEED $25 NOW, BUT YOU WON'T BE NEEDING YOUR CAMERA FOR 3 MONTHS

________________ YOUR GAS TANK READS "E"

4. Name what you consider the greatest ADVANTAGE of credit: ____________
____

Name what you consider the greatest DISADVANTAGE of credit: ________
____

5. With which of the following statements do you most nearly agree:

____ *Credit lets you get it.*

____ *Credit? Forget it!*

X139

HEXON
$
$
Fun Bank
AJAX FINANCE CO.
Moboil
Bunk Americard

2

HOW DO I GET IT?*

*CREDIT APPLICATIONS
CREDIT ELIGIBILITY
CREDIT BUREAUS
LOAN SOURCES

DICTIONARY

passwords ...

2 HOW DO I GET IT?

CAPACITY	Ability to pay obligations
CAPITAL	Financial resources; money and property
CHARACTER	Reputation
CHATTEL	Any property other than real estate
CHATTEL MORTGAGE	A loan secured by personal property or goods and chattels
COLLATERAL	Anything of value which guarantees the payment of a debt; security
CREDIT-ABILITY	An individual's willingness and ability to meet his financial obligations
CREDIT APPLICATION	A form completed by the consumer when he wants to use credit

CREDIT BUREAU	*A clearing house or reporting service which provides information as to the credit worthiness of consumers*
CREDIT RATING	*An evaluation of a consumer's qualifications to receive credit; based in large measure on past records of meeting credit payments*
CREDIT RECORD	*A history of credit performance*
CO-SIGNER	*A person who agrees in writing to pay a debt if the borrower does not*
DEBTOR	*One who owes money*
SECURITY	*Collateral; something of value pledged*
3 C's of CREDIT	*The basis of credit worthiness or credit - ability; character, capacity, capital*

Ready to Move On ?

Do You Know the Passwords ?

#142

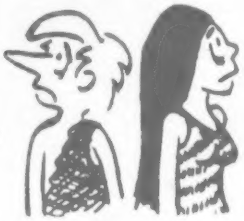
HOW DO I GET IT?

Today's consumer is "sold" on credit. Over 100 million Americans borrow money regularly. Everyone seems to have credit cards, charge accounts and monthly payments to make. It seems so easy, why not join everyone else and say "charge it" whenever you want something or when there is a *real* need to purchase or borrow with a promise to pay at some later date.

Unemployment, an accident, a pile-up of unpaid bills, a serious illness--any of these may create a real credit need.

Many young consumers are shocked to find it is not as easy as they had thought it would be to join the credit generation. It seems as difficult to get that first credit account as it is to get that first job. The same significant item seems a necessity--experience:

THE BETTER JOBS SEEM TO GO TO THOSE WITH EXPERIENCE, BUT HOW DO YOU GET EXPERIENCE IF YOU CAN'T GET HIRED FOR THAT FIRST JOB?



THE BETTER CREDIT RATINGS GO TO THOSE WHO MEET THEIR CREDIT OBLIGATIONS ON TIME, BUT HOW DO YOU MEET YOUR CREDIT OBLIGATIONS ON TIME IF YOU CAN'T GET THAT FIRST CREDIT ACCOUNT?

The young consumer may find it necessary to try some of the following approaches to establish his credit standing in the community:

BY TAKING A SERIOUS ATTITUDE TOWARD YOUR FINANCIAL AFFAIRS, YOU START YOUR CREDIT HISTORY.

OPEN A CHECKING ACCOUNT AND MANAGE IT WISELY.
OPEN A SAVINGS ACCOUNT, EVEN THOUGH IT MAY BE SMALL.

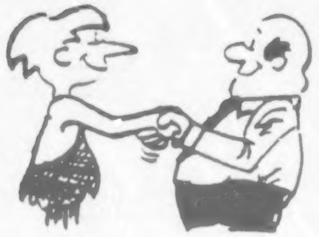
IF YOU HAVE NO WORTHWHILE PROPERTY TO PLEDGE OR A CO-SIGNER TO SIGN FOR YOU, A BANK MAY NOT GRANT YOU CREDIT.
NOT EVERYONE CAN JOIN A CREDIT UNION, BUT--
APPLY FOR A SMALL 6-MONTH LOAN FROM A CONSUMER FINANCE COMPANY.
BY GETTING A CASH LOAN AND BUILDING A CREDIT RECORD, YOU ARE PURCHASING YOUR OWN GOOD CREDIT REPUTATION.

PLACE SMALLER ITEMS ON LAY-AWAY IN A LOCAL STORE.
A REGULAR PAYMENT RECORD SHOULD HELP IN OBTAINING A CREDIT OR CHARGE ACCOUNT.

IF LARGER STORES WILL NOT GIVE YOU CREDIT, TRY SMALLER ONES.

APPLY FOR A 30-DAY CHARGE PLAN INSTEAD OF A REVOLVING CREDIT PLAN.

ASK IF A STORE WILL ACCEPT A CO-SIGNER SUCH AS YOUR PARENT.



Sometime it may be absolutely necessary to get credit. It may be that you can't answer "yes" to such questions as:

Are you over 18?
Do you have a good job?
Have you had the job for 6 months?

Then it will be necessary for you to have a **CO-SIGNER** or **CO-MAKER** for your credit application to be approved.

This person will have to pay off the loan if you can't. Many young consumers must purchase their first car this way. Co-signers are often parents or very good friends. A co-signer's obligation is a big one. Don't ask someone to co-sign for you unless it is an absolute necessity. Realize your obligation should you ever be asked to co-sign for someone else.

Many types of loans require COLLATERAL to assure the creditor that if the loan is not paid, there will be some way for him to receive payment. Chattel mortgages and chattel notes are often used for this purpose. A chattel mortgage transfers the title of personal property to the creditor. Items mortgaged are automobiles, household property, or personal property. Chattel notes require the debtor to provide security for a debt.

The answer to the *"How Do I Get It?"* question often seems confusing, complicated or even embarrassing to the credit consumer. But the completing of a perhaps very detailed application form, answering some very personal questions, and having a personal interview concerning the need for credit are all part of the assurances needed that the money will be repaid. The credit consumer is requesting the use of someone else's money and must offer assurances that he can be counted on to repay that money on time and with interest.

HOW DO I GET IT? -- I get it by (1) Applying for credit.
(2) Undergoing a credit investigation.
(3) Being evaluated as credit worthy.

Before deciding to actually fill out forms, be interviewed, and make application for credit, whether it is to make a purchase or to borrow cash, decide for yourself if you qualify. Ask:

Do I have enough money left after paying other obligations to handle another payment?
Is my income likely to continue until the loan is paid?
Have I been prompt in paying my bills?

REMEMBER: The Right to Use Credit Must be Earned

WHO CAN GET CREDIT?
WHO SHOULD GET CREDIT?

TOGETHER TOM AND MARY HALPRIN MAKE A GOOD SALARY. THEY HAVE SAVED SEVERAL THOUSAND DOLLARS AND WANT TO BUY A HOME. AFTER LOOKING AT HOMES IN THEIR CITY, THEY SELECT ONE TO BUY IN AN OLDER NEIGHBORHOOD. THE MORTGAGE COMPANY FOUND OUT THAT THEY HAVE A GOOD CREDIT RATING AND ARE RESPONSIBLE PERSONS. HOWEVER, THE COMPANY IS RELUCTANT TO LEND THEM MONEY ON THE HOUSE THEY HAVE SELECTED. THE MORTGAGE COMPANY FEARS THAT THE NEIGHBORHOOD IS "GOING DOWNHILL." NEW PEOPLE ARE MOVING IN AND NOT KEEPING THE HOUSES UP. MANY HOUSES ARE RENTED OR DIVIDED INTO APARTMENTS. AND, RECENTLY, PROPERTY VALUES IN THAT NEIGHBORHOOD HAVE GONE DOWN.

Should the mortgage company refuse Tom and Mary a loan on *this* house?

Your Position: ______________________________

Your Reasons: 1. ______________________________

2. ______________________________

3. ______________________________

IRVING GARFEIN HAS A SUPERB BEFORE-SCHOOL JOB. HE GETS $3.50 PER HOUR TO COOK EGGS EACH MORNING AT HAPPY HARRY'S BREAKFAST BAR ON ROUTE #17. IRVING WORKS FOUR HOURS EACH MORNING BEFORE GOING TO SCHOOL. HE HAS BEEN DOING THIS FOR TWO MONTHS. NOW, HE WANTS TO TAKE HIS EARNINGS, BORROW A THOUSAND DOLLARS, AND BUY A REALLY NEAT USED CAR. IRVING IS EIGHTEEN AND WILL COMPLETE HIGH SCHOOL IN SIX MORE MONTHS. HE GOES TO A LENDING INSTITUTION TO BORROW THE $1,000.00.

Do you think Irving will get the $1,000.00 loan? Why or Why not?

If you were the loan officer, would you extend a $1,000.000 loan to Irving?

Your Position: ______________________________

Your Reasons: 1. ______________________________

2. ______________________________

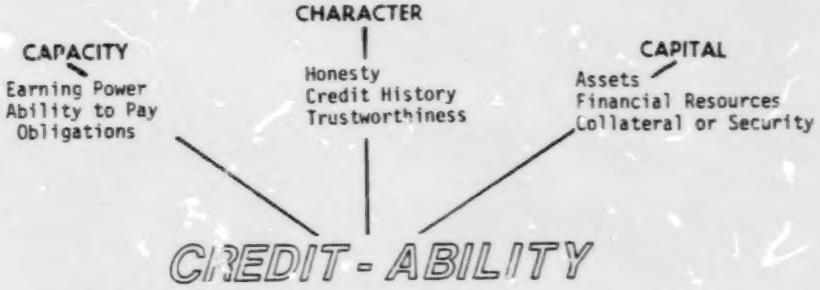
3. ______________________________

After you have thought through your answers with your class, invite a bank or credit union loan officer to class to discuss these situations with you.

Whether or not you receive credit depends on your CREDIT-ABILITY. Let's see what that means.

CHARACTER, CAPACITY, and CAPITAL are often called "THE 3 C'S OF CREDIT." They are the most important factors used in determining a consumer's credit worthiness or CREDIT-ABILITY.

CAPACITY
CHARACTER
CAPITAL


CHARACTER
Honesty
Credit History
Trustworthiness
CAPACITY
Earning Power
Ability to Pay
Obligations
CAPITAL
Assets
Financial Resources
Collateral or Security
CREDIT - ABILITY

To determine a consumer's credit-ability, three types of questions might be asked:

(1) In the opinions of those who have had previous dealings with you, are you honest? trustworthy? reliable? conscientious? responsible?

(2) Do you have a job?
Do you earn enough to pay what you will owe?
Is it likely that your income level will not decrease?

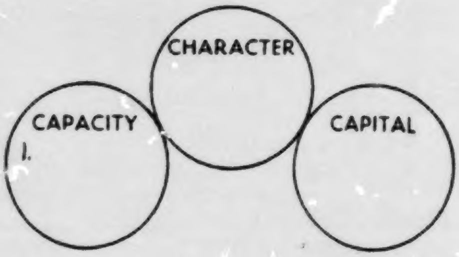
(3) What financial resources are behind your commitment to pay?
Do you have money in the bank?
Do you own property?

¿?¡!¡?¿

Exercises

Apply the 3 C's of Credit.
Place the numbers of those words which you think apply to each term in the correct circle.
The first one is done for you.
Some are easier than others. Your answers may not agree with everyone else.

1. JOB ADVANCEMENT
2. DEBT-FREE
3. HONESTY
4. PROPERTY
5. PUNCTUAL
6. SALARY
7. SAVINGS
8. SELF-RELIANT
9. THRIFTY



HOW DO YOU MEASURE UP?

Your credit-ability is measured on the basis of certain personal data about you. These include *Personal Information, Employment Data, Personal History, Credit History,* and *Public Record Information.*

PERSONAL INFORMATION (Name, address, etc.)

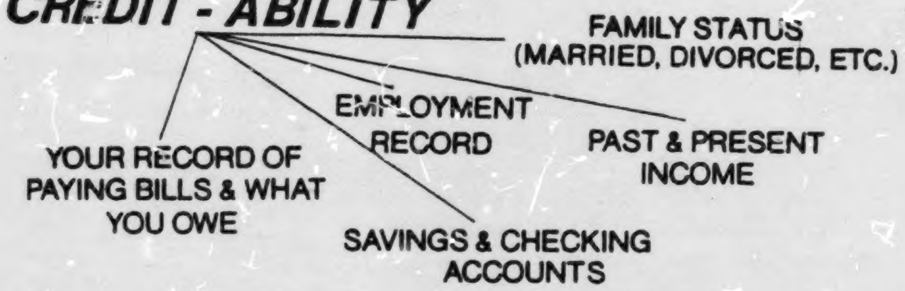
EMPLOYMENT DATA (Place of work, job, salary, length of employment, previous employment record, etc.)

PERSONAL HISTORY (Age, number of dependents, nearest relative, etc.)

CREDIT HISTORY (Bill-paying habits)

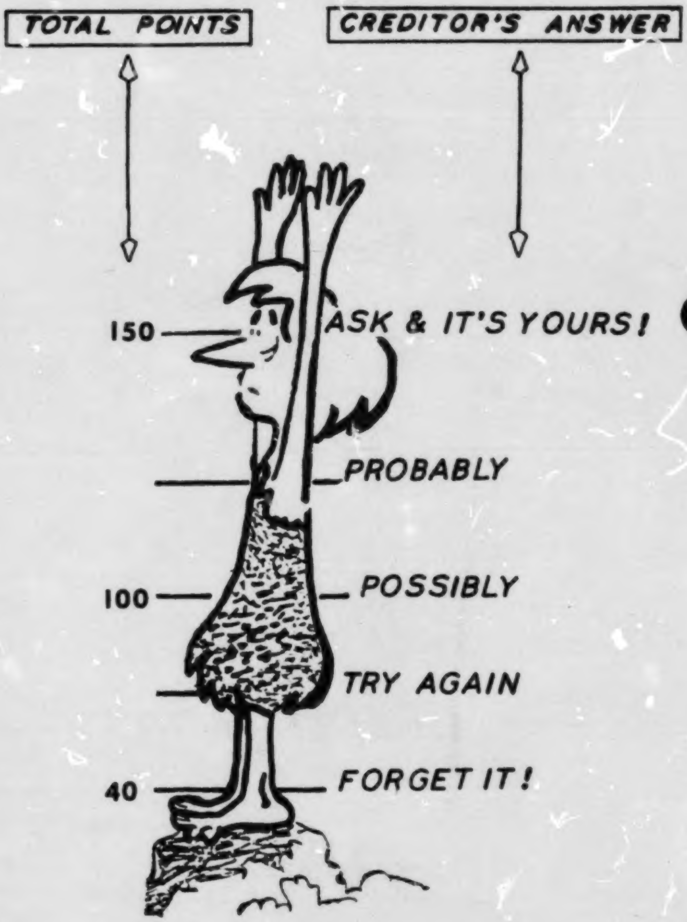
PUBLIC RECORD INFORMATION (Bankruptcies, suits and judgments, records of arrest and indictment or conviction)

The credit consumer is rated on the basis of such information. In many cases scores are given each item. It is interesting to use such scales to see how you measure up. Some firms publish their rating scales, others do not. The informed consumer can know before making application whether or not he will measure up when such scales are published. Some firms use private rating scales which are not disclosed to the consumer.


CREDIT - ABILITY
FAMILY STATUS (MARRIED, DIVORCED, ETC.)
EMPLOYMENT RECORD
PAST & PRESENT INCOME
YOUR RECORD OF PAYING BILLS & WHAT YOU OWE
SAVINGS & CHECKING ACCOUNTS

Use the following sample scale to figure your "score"--Circle the number of points for which you qualify in each category and then total your points. Also score your parents. Is there a difference in the scores? Why?

FACTOR	POINTS
AGE	
18-24	1
25-34	5
35-44	10
45-64	15
RESIDENCE	
RENT	10
OWN	20
1-3 YRS.	5
3-5 YRS.	10
INCOME	
$75-100 WK.	15
OVER $100 WK.	25
SELF-EMPLOYED	10
WAGES & SALARY	15
EMPLOYMENT	
1-3 YRS.	10
4-10 YRS.	15
MORE THAN 10	25
CREDIT RECORD	
CHECKING ACCT.	10
SAVINGS ACCT.	10
GOOD CREDIT RATING	25
DEBTS TOTAL LESS THAN 2½ TIMES MONTHLY INCOME	10


TOTAL POINTS
CREDITOR'S ANSWER
150
ASK & IT'S YOURS!
PROBABLY
100
POSSIBLY
TRY AGAIN
40
FORGET IT!

*149

Credit Bureaus

The business of credit bureaus is to maintain files on those who use credit. A credit-rating bureau is usually a commercial or industry-supported organization. It acts as a clearinghouse for the information contained in credit records. Credit bureaus provide information to three groups: credit users, employers, and the consumers themselves. This informtion is available to other credit bureaus through membership in the Associated Credit Bureaus of America.

Credit records on individual credit consumers are of two types: *credit reports* and *investigative reports*. The two differ in both purpose and content.

CREDIT REPORTS are compiled and maintained by a credit bureau for the purpose of helping consumers obtain credit.

The information contained in a credit record consists of *identity information* (name, address, marital status, social security number, etc.); *present employment* (current position, length of employment, income); *personal history*, (date of birth, number of dependents, previous address, previous employment information); and *public record information* which may be important.

INVESTIGATIVE REPORTS contain much more information--including data about the consumer's character, reputation, personal characteristics, etc.

This information is usually obtained through personal interviews. This data is not normally compiled by a credit bureau. A credit bureau's report may contain some of this data, however.

☆ YOUR CREDIT RECORD SHOULD BE PRESERVED AS ONE OF YOUR MOST VALUABLE FINANCIAL ASSETS -- IT WILL BE WITH YOU DURING YOUR ENTIRE ADULT LIFE. ☆

x150

Your Credit File

You have a right to be informed as to the information contained in your credit file. Should you be refused credit for any reason, you may request a review of your file to determine why the credit was denied. At such times the review of your file is free. Should you wish to review it at any other time, there may be a slight charge.

If any information appears to be incomplete or inaccurate, the bureau must recheck it. If it cannot do so, the item must be dropped. If such an item is retained and you still disagree, you may file a brief statement giving your side of the story.

Your credit file is private--*confidential*. A report can be sent only to those who give credit, to prospective employers, and other authorized parties.

✪ WISE USE OF CREDIT IS THE BEST WAY TO ACHIEVE A GOOD CREDIT RATING. ✪

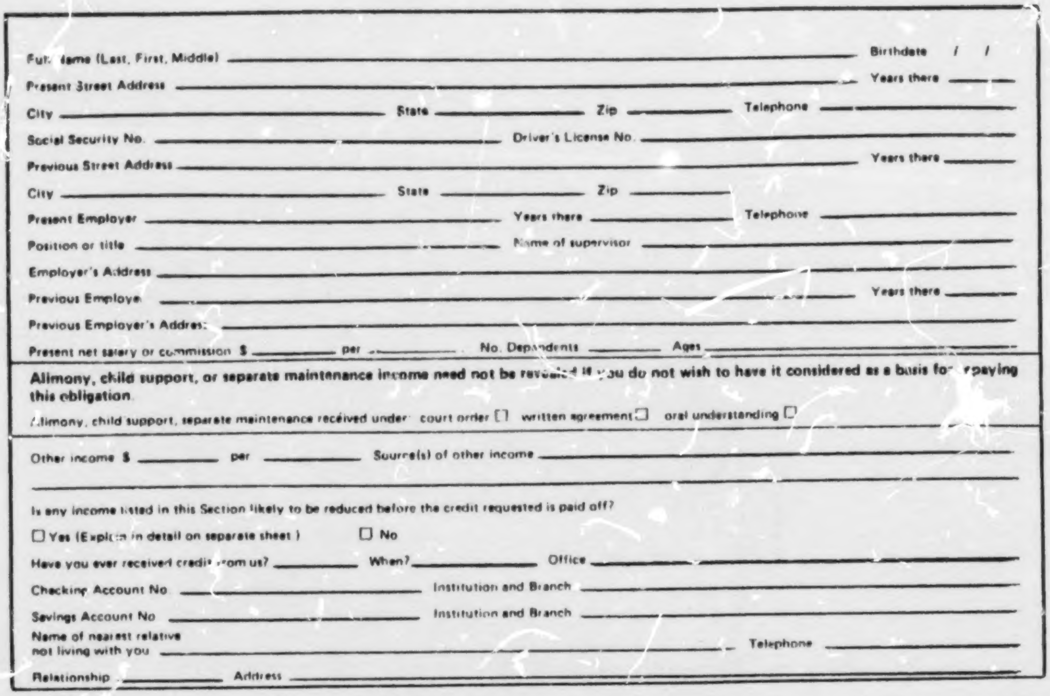
Making Application

Credit applications will ask such questions as:

Are you working?
How much do you earn?
How long have you had this job?
Where do you live?
Do you own or rent?
How long have you lived there?
Where did you live previously?
Do you have a checking account? Where?
Do you have charge accounts? Where?
How much are you paying each month now on installment
    purchases?
Have you ever been refused credit?

When you apply for credit, you will fill out a credit application which includes the following or similar information. Try your hand at completing the sample application form.

BEST COPY AVAILABLE



Full Name (Last, First, Middle) Birthdate / /
Present Street Address Years there
City State Zip Telephone
Social Security No. Driver's License No.
Previous Street Address Years there
City State Zip
Present Employer Years there Telephone
Position or title Name of supervisor
Employer's Address
Previous Employer Years there
Previous Employer's Address
Present net salary or commission $ per No. Dependents Ages

Alimony, child support, or separate maintenance income need not be revealed if you do not wish to have it considered as a basis for repaying this obligation.

Alimony, child support, separate maintenance received under: court order ☐ written agreement ☐ oral understanding ☐

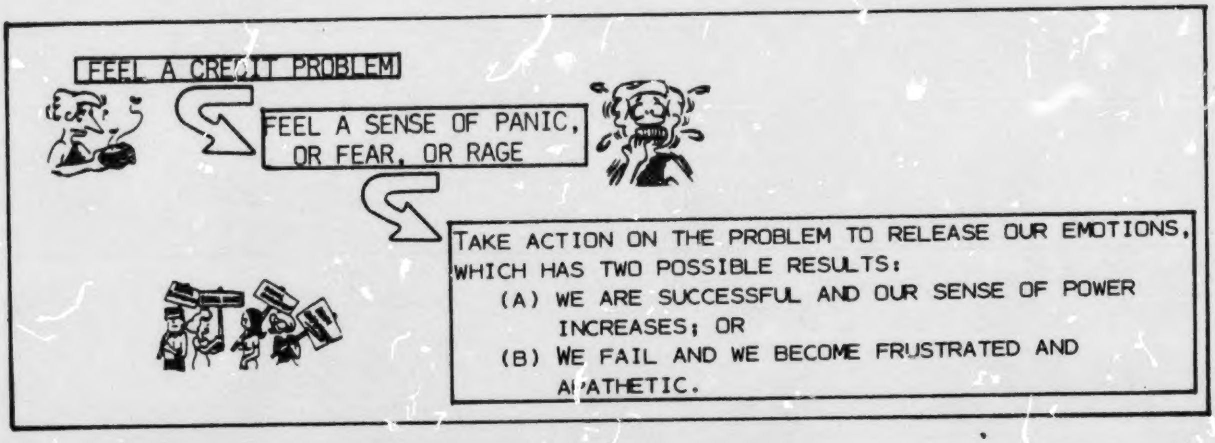
Other income $ per Source(s) of other income

Is any income listed in this Section likely to be reduced before the credit requested is paid off?
☐ Yes (Explain in detail on separate sheet.) ☐ No
Have you ever received credit from us? When? Office
Checking Account No. Institution and Branch
Savings Account No. Institution and Branch
Name of nearest relative not living with you Telephone
Relationship Address

¿?¡!¡?¿

When we first see a problem, too often our first response is to panic and leap to a quick solution to our problem. We feel that an interest rate is too high, so we rush to call government agencies or our lawyer. We feel we have been discriminated against when we did not get a loan, so we blame the financial institution and write a blistering letter to the newspaper.

Our reactions to problems are not planned, but are a "reflex". Our first response too often looks like this:



FEEL A CREDIT PROBLEM

FEEL A SENSE OF PANIC, OR FEAR, OR RAGE

TAKE ACTION ON THE PROBLEM TO RELEASE OUR EMOTIONS, WHICH HAS TWO POSSIBLE RESULTS:
(A) WE ARE SUCCESSFUL AND OUR SENSE OF POWER INCREASES; OR
(B) WE FAIL AND WE BECOME FRUSTRATED AND APATHETIC.

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In a democratic society, we want consumers and citizens who are ACTIVE and are competent in dealing with their problems. We don't want frustrated, apathetic persons. We want persons who plan their actions. In the cases just mentioned, the sensible person would have confronted the group charging an interest rate which he felt was too high, or those whom he thought were discriminating against him.

We can see three styles of consumer-citizens across America:

INactive	***REactive***	***PROactive***
A PERSON WHO DOES NOT CARE TO SEE PROBLEMS OR WHO WITHDRAWS FROM FACING PROBLEMS. RETREATS. LETS PROBLEMS SLIDE, HOPING THEY WILL GO AWAY, OR THAT SHE WILL FORGET THEM.	A PERSON WHO SIMPLY RESPONDS TO SITUATIONS AS THEY ARISE. THIS PERSON DEALS WITH PROBLEMS THAT ARE PERSONAL TO HIM OR HER; NOT PROBLEMS AFFECTING OTHERS.	A PERSON WHO LOOKS FOR CONSUMER PROBLEMS AND GOES FORWARD TO ACT ON THEM WITH OTHERS, WORKING FOR FAIR LAWS AND BUSINESS PRACTICES.

What are the consequences of each way of behaving as a consumer-citizen in America?

How do people *learn* one of these ways of being a consumer-citizen?

Which way do YOU hope to be?

What are the Pros and Cons of each way to be a consumer-citizen?

As consumer-citizens we know that we can work on solutions to our problems at three different LEVELS:

INTERPERSONAL LEVEL	***INTERGROUP LEVEL***	***SOCIAL SYSTEM LEVEL***
WORKING OUT PROBLEMS BY PERSONAL ACTION, CONFRONTING THE SOURCE OF THE PROBLEM.	JOINING WITH OTHERS TO SOLVE PROBLEMS BY GROUP ACTION (COMMON CAUSE, ETC.)	JOINING WITH OTHERS TO CHANGE LAWS AND PRACTICES WHICH IN TURN WILL SOLVE PROBLEMS (POLITICAL PARTIES, POLITICAL ACTION GROUPS, ETC.)

In the following situations, tell what the person SHOULD do at each level. Begin with the INTERPERSONAL LEVEL. Discuss your recommendations with others to get their ideas.

PAY UP YOU DEADBEAT!!

A. *George Turner made the mistake of borrowing money from a "friendly" guy a relative knew. The interest rates were terribly high, but George needed the money. Now, he is in a panic. He does not have the money, and the loan shark is calling for it.*

What should George do? Why?

____

____

____

____

B. CHARLIE ADAIR TRIED TO GET A LOAN FROM SEVERAL SOURCES-- HIS BANK, THE CREDIT UNION, A SAVINGS AND LOAN, ETC. ALL HAD TURNED HIM DOWN AND HE WAS IRRITATED. HE WANTED TO BUY THAT SAILBOAT NOW! CHARLIE BELIEVES HE IS A SOLID CREDIT CUSTOMER. BUT THE LENDING INSTITUTIONS IN TOWN DO NOT AGREE.

What should Charlie do? Why?

____

____

____

____

C. *Not again! Maria Santos was refused a credit card with Triple-X Company. She has been refused by a number of companies lately. and Maria thinks it has something to do with her being a young woman, beginning her career as a clerk-typist.*

What should Maria do? Why?

____

____

____

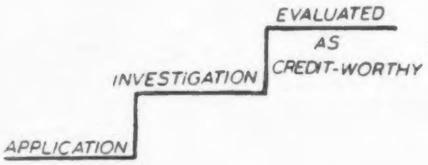
____

D. OH, BOY! DICK RUBENSTEIN LOANED HIS CREDIT CARD TO HARRY TO PURCHASE A CRATE OF RUBBER DUCKIES. THE STATEMENT JUST ARRIVED FROM THE CREDIT CARD COMPANY, AND HARRY CHARGED AN ADDITIONAL $150.00 WORTH OF GOODS BEFORE RETURNING THE CARD TO DICK. HARRY HAS TAKEN OFF FOR PARTS UNKNOWN. DICK IS UPSET.

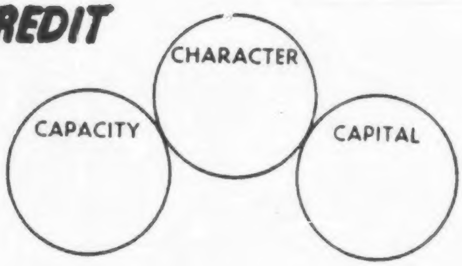
What should Dick do? Why?

Do you remember:

3 STEPS TO CREDIT


EVALUATED
AS
CREDIT-WORTHY
INVESTIGATION
APPLICATION

3 C's OF CREDIT


CHARACTER
CAPACITY
CAPITAL

5 TYPES OF CREDIT INFORMATION

- PERSONAL INFORMATION
- EMPLOYMENT DATA
- PERSONAL HISTORY
- CREDIT HISTORY
- PUBLIC RECORD INFO

CO-SIGNER **COLLATERAL**

YOUR CREDIT RECORD IS ONE OF YOUR MOST VALUABLE FINANCIAL ASSETS.

Review Time

2 HOW DO I GET IT?

Complete each statement with the correct word.
Then write the letter of each numbered letter in the blanks at the bottom of the page to spell out an important credit rule.

1. There are three basic steps in the process of getting credit. The only step the consumer himself completes is the _ _ _ _ $\underset{2}{\_}$ _ _ _ _ _ $\underset{9}{\_}$ for credit.

2. There are three basic considerations in granting credit. Write the one which applies in each situation.

   You have a large savings account. _ _ _ _ $\underset{3}{\_}$ _ _

   All your neighbors think you are an O.K. person. _ _ _ $\underset{1}{\_}$ _ _ _ $\underset{5}{\_}$ _

   You have worked for the same company for five years. _ _ _ _ _ _ _ _ _

3. Personal history, employment data, personal information, credit history, & public records are all part of your credit record which is on file with the local _ _ _ $\underset{7}{\_}$ _ _ _ _ _ _ _ $\underset{4}{\_}$

4. Your credit _ _ _ _ _ _ will be with you all your adult life.

5. $\underset{6}{\_}$ _ _ _ $\underset{8}{\_}$ _ _ _ _ _ is security for a loan.

THE $\underset{1}{\_}$ $\underset{2}{\_}$ _ _ $\underset{3}{\_}$ 2 $\underset{4}{\_}$ _ $\underset{5}{\_}$ $\underset{6}{\_}$ $\underset{1}{\_}$ $\underset{5}{\_}$ $\underset{7}{\_}$ $\underset{2}{\_}$ $\underset{3}{\_}$ _ $\underset{4}{\_}$ _ $\underset{3}{\_}$ B $\underset{5}{\_}$ $\underset{8}{\_}$ $\underset{1}{\_}$ $\underset{9}{\_}$ $\underset{5}{\_}$ $\underset{7}{\_}$

Evaluate each of the following credit situations:

JOSE AND ANITA, A YOUNG MARRIED COUPLE, ARE RECENT ARRIVALS IN TOWN. THEY HAVE RENTED A SMALL APARTMENT AND HAVE A SMALL SAVINGS ACCOUNT. JOSE HAS A JOB WHICH PAYS $160 A WEEK AND ANITA IS LOOKING FOR A JOB.

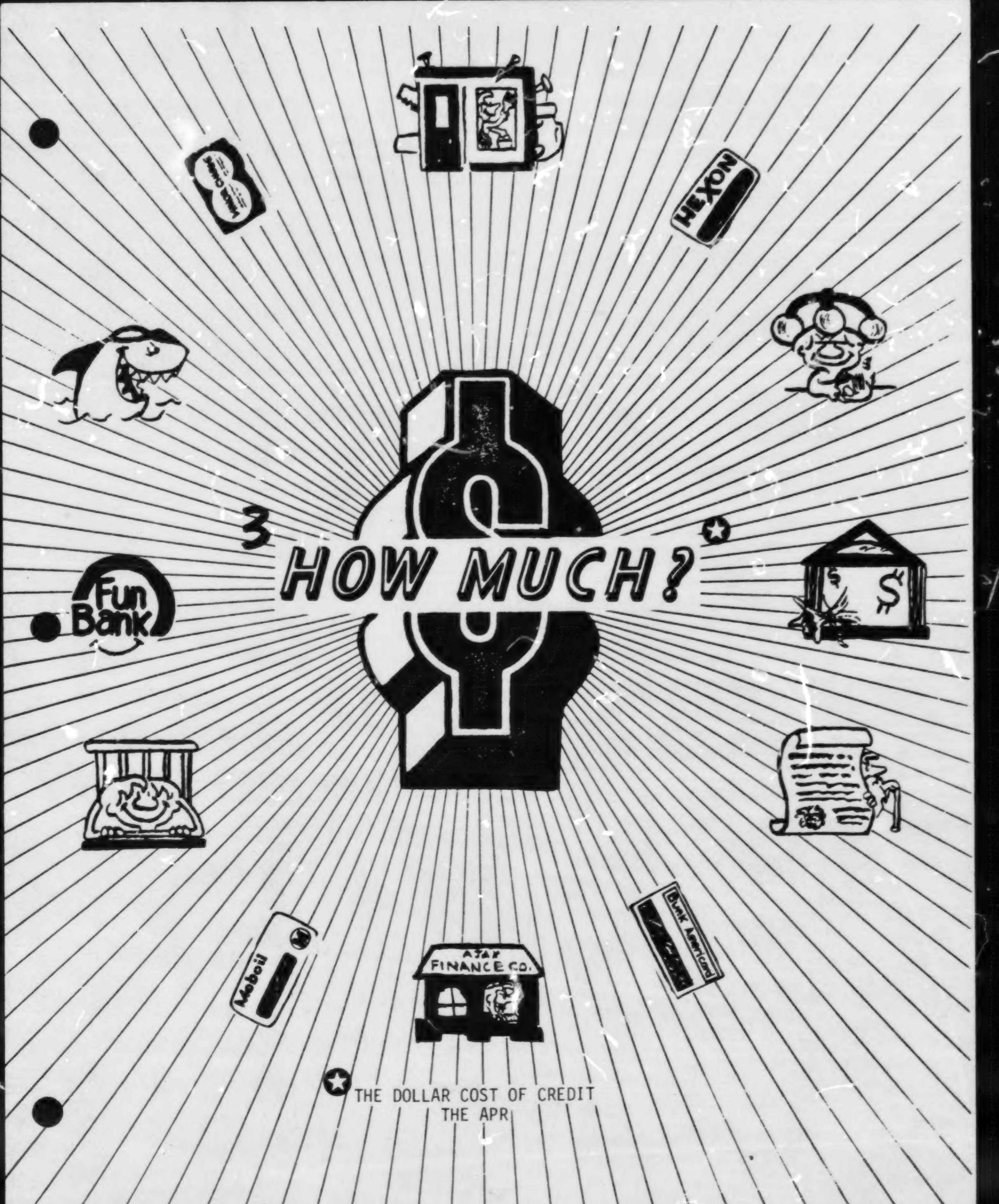
ROB AND RITA HAVE LIVED IN THE SAME COMMUNITY FOR TWENTY YEARS. THEY ARE IN THEIR FORTIES, AND RITA IS A MANAGER OF A LOCAL FIRM WHERE SHE EARNS $250 A WEEK. ROB IS A TEACHER AND MAKES $15,000 PER YEAR. THEY HAVE A $10,000 MORTGAGE ON A $40,000 HOME.

BOTH COUPLES APPLY FOR A LOAN AT THE LOCAL FINANCE COMPANY IN ORDER TO BUY A NEW CAR. WHICH APPLICANT IS MORE LIKELY TO RECEIVE THE LOAN? WHY?

HAROLD HAS JUST BEEN DENIED CREDIT AT A MAJOR APPLIANCE STORE. THE CREDIT MANAGER INFORMED HAROLD THAT THEY NORMALLY WOULD HAVE GIVEN CREDIT TO A PERSON WITH HIS INCOME, BUT THAT THE CREDIT BUREAU SENT THEM AN UNFAVORABLE REPORT.

HAROLD FEELS THERE MUST HAVE BEEN A MISTAKE. WHAT ACTION CAN HE TAKE TO CHECK AND CORRECT ANY POSSIBLE ERRORS?

¥ 159


HEXON
Fun Bank
3
HOW MUCH?
AJAX FINANCE CO.
Moboil
Bank Americard
THE DOLLAR COST OF CREDIT
THE APR

DICTIONARY

passwords ...

3 HOW MUCH?

ACCELERATION CLAUSE	*A provision that allows the creditor to request payment of all installments at once if one or more payments are missed*
ADD-ON-CLAUSE	*A provision that allows the consumer to add additional purchases to an existing installment contract*
APR	*Annual Percentage Rate; rate of finance charges figured on an annual or yearly basis*
BALLOON PAYMENT CLAUSE	*A blown-up final payment in a credit contract; may be many times larger than the size of other payments*
CONTRACT	*Written agreement that says how you will repay the loan*
CREDIT LIFE INSURANCE	*Life insurance which provides for full payment of a loan in the event the borrower dies*
DISABILITY INSURANCE	*Insurance which makes loan payments for a borrower for as long as he is disabled*

DOLLAR COST OF CREDIT	*Finance charge; difference between the cash and credit cost of an item*
DOWNPAYMENT	*A cash payment made on a credit purchase before the credit balance is figured*
IMPULSE BUYING	*Buying without prior planning; spur-of-the-moment purchasing*
PREPAYMENT PRIVILEGE	*The right of the consumer to pay off a debt in advance of the due date*
TERMINOLOGY	*Technical terms; words having special meanings in credit contracts*

Ready to Move On?

Do You Know the Passwords?

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Certainly the most important consideration for most credit consumers is the cost. *"How much does it cost?"* is THE question, not *"How much are the payments?"* The real cost of credit is easily concealed in statements such as "only $14 a month."

Too many consumers in Credit Land find themselves in difficulty because the monthly payments are so tempting. "Sure, we can afford that," may very well change to, "How in the world did we ever get in so deep?"

It's really easier than you might think. There are only two terms to remember:

APR

DOLLAR COST OF CREDIT

APR -- The Annual Percentage Rate is required by the Truth-in-Lending Law on all time payment contracts. The APR is the rate of finance charges figured on an annual or yearly basis.
This figures gives the consumer a basis for comparing credit costs from various sources.

DOLLAR COST OF CREDIT -- The difference between the cash and credit cost of an item is the dollar cost of credit. This figure tells the consumer exactly how much the use of credit will cost him.

Both terms -- APR and DOLLAR COST OF CREDIT (usually stated as total finance charge) -- are required consumer information on any credit contract. Ask, read, and then decide before you sign a credit contract. The APR helps you when shopping for the least expensive source of credit. The Dollar Cost of Credit informs you of exactly how much it is going to cost you to use the credit.

HOW MUCH INTEREST YOU PAY = HOW MUCH MONEY YOU BORROW +
HOW LONG THE LOAN IS FOR +
HOW HIGH THE INTEREST RATE IS

YOU can control all three of these factors:

[1]Control HOW MUCH MONEY YOU BORROW by making the largest downpayment you can afford. A downpayment should be at least 10%, but it is better if you can make it 25% or even more. The larger the downpayment, the more quickly, easily and cheaply the account is paid.

[2]Control HOW LONG THE LOAN IS FOR by considering:

What monthly payments will conveniently and with certainty fit into the family budget.

How long the product or service will last.

How long your interest in the possession will last.
How long your income will remain steady or increase.

The shorter the term of payments the less will be the credit cost.

3 Control HOW HIGH THE INTEREST RATE IS by shopping for the credit source with the least APR.

IF YOU WANT THE MOST CREDIT FOR THE LEAST COST:

AVOID HASTY BUYING
SHOP FOR THE LOWEST ANNUAL RATE OF INTEREST
MAKE THE BIGGEST DOWNPAYMENT YOUR BUDGET WILL ALLOW
CHOOSE THE SHORTEST TIME POSSIBLE
KNOW WHAT YOU ARE SIGNING

1 AVOID HASTY BUYING

How many times have you decided you wanted something and that you just *had* to have it right *now*?

Even more dangerous is impluse buying. The credit card holder finds it much easier to buy something he sees with his "charge it" power than if he had to hand over the cash.

HASTY BUYING IS TOO OFTEN COSTLY BUYING --
PLAN AHEAD.

2 SHOP FOR THE LOWEST APR

No matter how the credit terms are advertised or described, ask for the APR. This is the only accurate means the consumer has of comparing credit costs.

APR passes all costs of credit on to the consumer: credit investigations, record-keeping, collections, credit losses, overhead, and of course the interest on the use of the money.

Remember that the APR is not even the same for all credit transactions from the same credit source. While your bank may offer the best APR for one type of loan, you may find a less expensive source of credit for a different loan.

3 MAKE THE BIGGEST DOWNPAYMENT YOUR BUDGET WILL ALLOW

Planning ahead will make it possible for you to have a larger downpayment for those important purchases.

The larger the downpayment, the smaller the balance on which you will be charged credit costs.

This rule is probably more important in buying a home than in any other area as it benefits the consumer twice: the mortgage lender is often more willing to lend money to someone who has a large downpayment, and the home will cost less because he is paying credit costs on a smaller amount.

4 CHOOSE THE SHORTEST TIME POSSIBLE

The longer the term of the loan or the credit extended, the greater the cost.

$100 @ 6% for one year will cost $6, but will cost $12 for two years.

When the credit extended is much greater and the interest rates higher (which they usually are) this rule is especially important.

5 KNOW WHAT YOU ARE SIGNING

This is the all-important, never-to-be-forgotten rule for every consumer.

It is possible to sign for features in a credit contract which are not needed. Many contracts offer credit life insurance and/or disability insurance to protect the borrower. Be informed of such coverage:

CREDIT LIFE INSURANCE *is life insurance offered (and sometimes required) by lenders to provide for full payment of a home mortgage or other loan in the event the borrower dies.*

DISABILITY INSURANCE *covers the loan payments if the borrower becomes disabled during the period of the loan. Under such coverage, payments are made for the borrower while he is disabled.*

The *CREDIT-WISE CONSUMER* weighs the value of such coverage against the costs as he does all insurance, credit and other consumer decisions. The consumer who already owns sufficient life insurance and disability insurance may be adding even more to his credit costs and problems by agreeing to purchase these policies at the time he is granted new credit.

The costs of credit insurance tend to be much higher than the costs of the life and disability insurance the credit consumer may already have. The typical life insurance policy is large enough to to pay off all smaller debts without the necessity of purchasing a special policy to cover an individual loan.

While the lender may require that the borrower have such coverage, he cannot require that the insurance be purchased from the firm he is offering it from at the time the credit is granted. Most consumers willingly sign for the coverage, however, because it is easier and quicker to get the credit.

BEWARE--BE AWARE-- BE INFORMED

The maximum allowable rates for credit insurance are regulated by the individual states, as is all insurance coverage. These rates are usually quite high, however--75¢ to $1 per year for each $100 of coverage. The rates for regular life insurance usually costs less than 40¢ per $100 of coverage. As in all financial situations, the consumer should shop for the best rates and guard against paying for something more than once.

The *"peace of mind"* and *"financial security"* offered by such coverage are often purchased at too dear a cost and become additional factors to consider when the consumer wonders if his credit burden has become TOO MUCH.

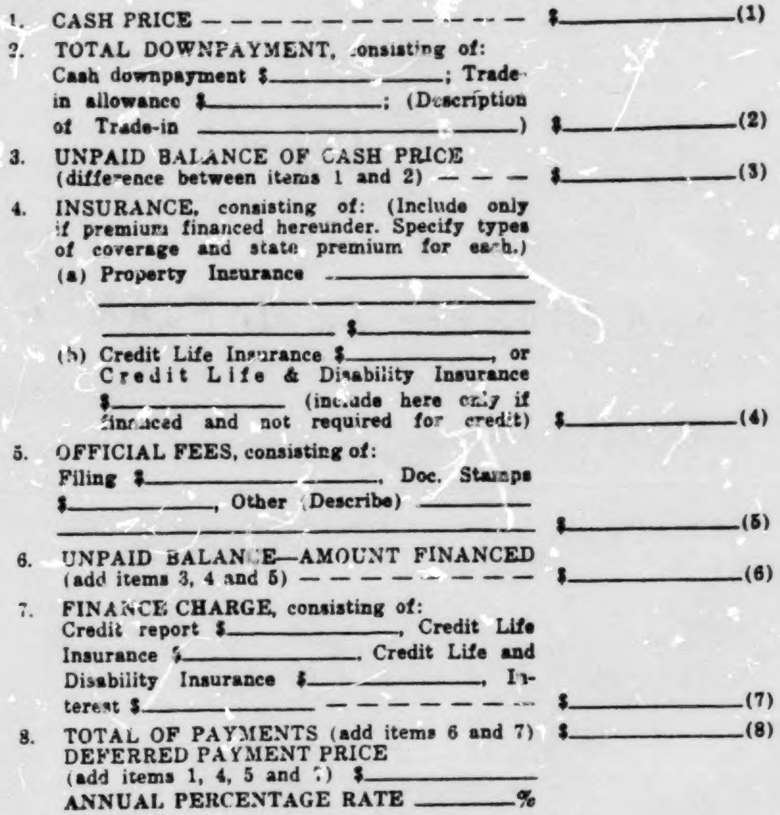
READ EVERYTHING BEFORE YOU SIGN ANYTHING is the rule to remember. This is not always easy. The print is small and there are often pages of it. The consumer and the salesman are often in a hurry. Perhaps the consumer is too embarrassed to take time to read everything because the salesman might think he isn't being trusted.

Should you find yourself in such a situation, you might ask to be shown certain sections of the contract to double-check what you are committing your future income to.

Never sign a contract which contains blanks. Ask for an immediate copy of the contract.

First, you are aware of the APR and the Dollar Cost of Credit, because you discovered this before you chose this particular contract.

Study this all-important section of a retail installment sales contract:



1. CASH PRICE ———————————— $__________(1)

2. TOTAL DOWNPAYMENT, consisting of: Cash downpayment $__________; Trade-in allowance $__________; (Description of Trade-in __________) $__________(2)

3. UNPAID BALANCE OF CASH PRICE (difference between items 1 and 2) ——— $__________(3)

4. INSURANCE, consisting of: (Include only if premium financed hereunder. Specify types of coverage and state premium for each.)
   (a) Property Insurance __________ $__________
   (b) Credit Life Insurance $__________, or Credit Life & Disability Insurance $__________ (include here only if financed and not required for credit) $__________(4)

5. OFFICIAL FEES, consisting of: Filing $__________, Doc. Stamps $__________, Other (Describe) __________ $__________(5)

6. UNPAID BALANCE—AMOUNT FINANCED (add items 3, 4 and 5) ———————— $__________(6)

7. FINANCE CHARGE, consisting of: Credit report $__________, Credit Life Insurance $__________, Credit Life and Disability Insurance $__________, Interest $__________ ———————— $__________(7)

8. TOTAL OF PAYMENTS (add items 6 and 7) $__________(8)
   DEFERRED PAYMENT PRICE (add items 1, 4, 5 and 7) $__________
   ANNUAL PERCENTAGE RATE ______%

The last two items -- numbers 7 and 8 -- are the most important in this "disclosure" section of the contract.

Item 7. is the Dollar Cost of Credit, usually stated as the *Finance Charge*.

Item 8. is the APR.

Ask about and look for:

1. ***APR***
2. ***DOLLAR COST OF CREDIT*** (FINANCE CHARGE)
   (This is the total amount charged over the term of the contract)

3. *CONTRACT TERMINOLOGY*

A PREPAYMENT PRIVILEGE -- requires the creditor to accept payment of a debt in advance of the due date. If your contract does not have such a clause, you may not be allowed to pay your contract early if you so wish or you may pay early, but still owe a minimum total interest.

B ADD-ON CLAUSE -- allows the consumer to purchase more than one item on a credit contract without writing additional contracts.

C BALLOON PAYMENT CLAUSE -- provides for a blown-up final payment. Some such contracts may call for terms such as 11 monthly payments of $25 with a final payment of $250.

D ACCELERATION CLAUSE -- makes all future payments due immediately if you miss one payment.

BEWARE--BE AWARE--BE INFORMED

It is not necessary for the consumer to remember all the above terminology, but each consumer should be aware of which clauses and agreements appear in any contract he signs.

You might ask such questions as:

1. WHAT IS THE ANNUAL PERCENTAGE RATE I WILL BE PAYING?
2. HOW MUCH WILL THE CREDIT COST ME?
3. CAN I PAY THE ACCOUNT OFF EARLY?
4. DOES THIS CONTRACT ALLOW ME TO ADD PURCHASES TO MY ACCOUNT, OR DO I NEED ADDITIONAL CONTRACTS?
5. ARE ALL MY PAYMENTS THE SAME SIZE?
6. WHAT HAPPENS IF I MISS A PAYMENT?
7. WHAT HAPPENS IF I DEFAULT ON MY CONTRACT?

O.K. You know what to look for when shopping for credit and when signing a contract. But what about when you are still "shopping"? How can you tell which is the best buy? How much will it cost?

NUMBER OF INSTALLMENTS × AMOUNT OF EACH PAYMENT − CASH PRICE OF ITEM = *DOLLAR COST OF CREDIT*

*Note that the *downpayment* does not appear in this equation.
The downpayment is cash paid and credit cost does not apply to this amount.

---

50 lbs.
50 lbs.

Exercises

Try the following examples:

THE HAZZARDS ARE SHOPPING FOR A STEREO TAPE DECK AND RADIO. HAPP IS TALENTED AT WORKING WITH ELECTRICAL DEVICES AND HAS A GOOD JOB. HE LOCATES WHAT HE WANTS AT A PRICE HE FEELS HE CAN AFFORD, $190. WHILE SHOPPING AT VARIOUS SOURCES OF CREDIT, HE IS OFFERED THE FOLLOWING:

NO DOWNPAYMENT, CASH PRICE: $190

SOURCE OF CREDIT	TERMS	TOTAL COST	CREDIT COST
Discount Store	$20.40 for 12 mo.	________	________
Mail Order Store	$18.80 for 12 mo.	________	________
Borrow $190 from a bank & pay cash	$17.08 for 12 mo.	________	________

Tripp is buying a new set of clubs from a department store and has signed a contract for purchasing it on time. The price is $379. He has paid $25 down and will pay $11 for 42 months.

What would the finance charge be?

Circle the correct amount: $88 $180 $108 $18

WHEN THE HAZZARDS PURCHASED A BLACK AND WHITE TV THEY CHECKED AT FOUR DIFFERENT STORES TO COMPARE THE DOLLAR COST OF CREDIT. BELOW ARE THE FOUR DIFFERENT OFFERS THAT WERE MADE FOR A TWO HUNDRED FORTY DOLLAR SET:

STORE	TERMS
A	$40 DOWN AND $19.67 A MONTH FOR 12 MONTHS
B	$60 DOWN AND $40.00 A MONTH FOR 6 MONTHS
C	$50 DOWN AND $13.50 A MONTH FOR 18 MONTHS
D	$20 DOWN AND $12.75 A MONTH FOR 24 MONTHS

COMPLETE THE CHART TO DETERMINE WHICH STORE WAS OFFERING THE BEST TERMS.

STORE	DOWN PAYMENT	MONTHLY PAYMENT	NUMBER OF MONTHS	TOTAL TO BE PAID	AMOUNT FINANCED	DOLLAR COST
A	$40.00	$19.67	12	$236.04	$200	$36.04
B						
C						
D						

Review Time

3

HOW MUCH?

1. Name the 3 factors which control the amount of interest you pay when using credit.

   How ____

   How ____

   How ____

2. Complete the following rules to use when you want the most credit for the least cost:

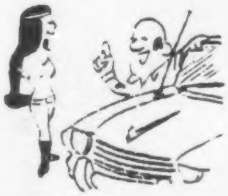
   AVOID HASTY ____________________

   SHOP FOR THE LOWEST ____________________

   MAKE THE BIGGEST ______________________________
   YOUR BUDGET WILL ALLOW

   CHOOSE THE SHORTEST ____________________POSSIBLE

   KNOW WHAT YOU ARE __________________________

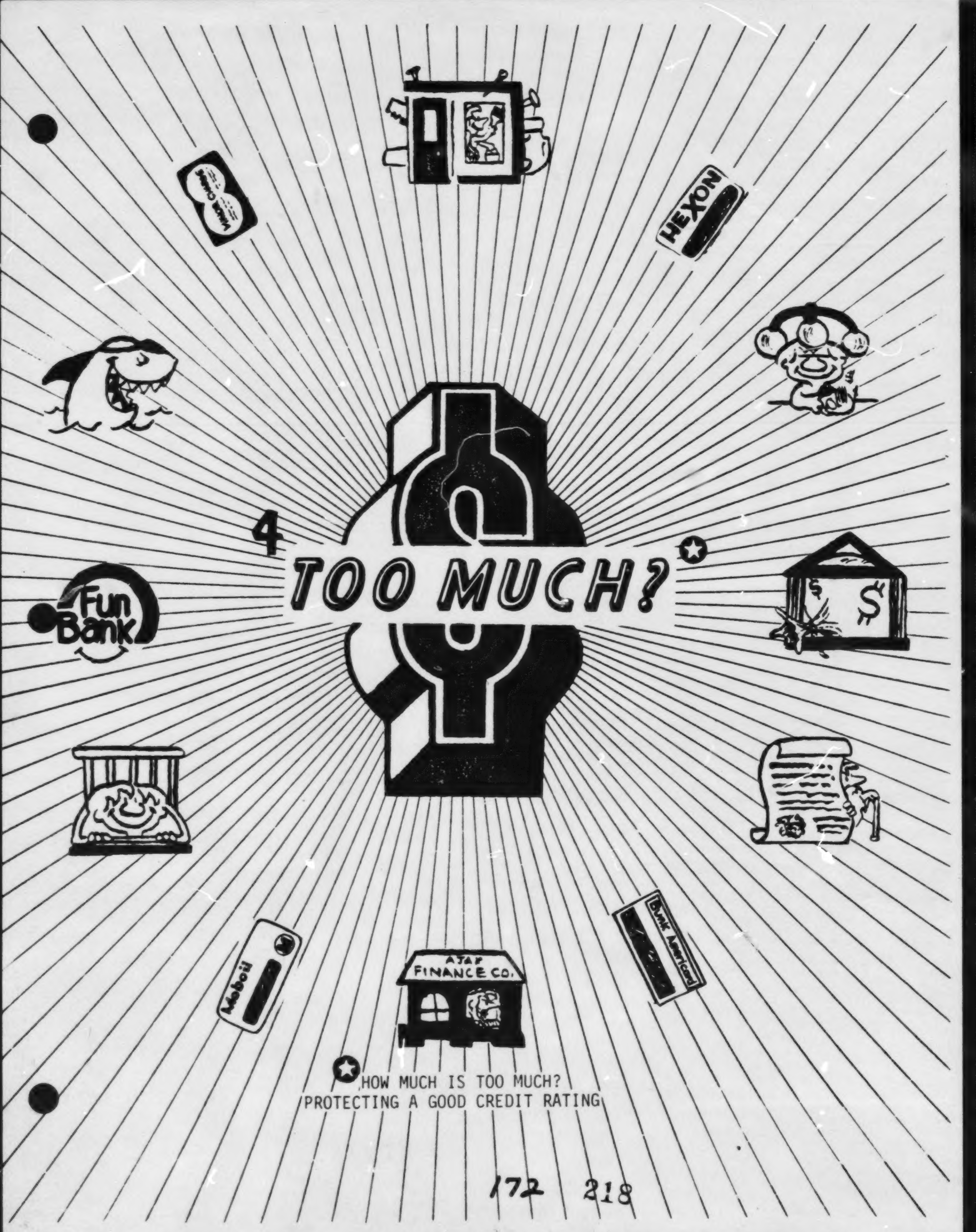


3. *Nancy Cutone bought a used car valued at $1,800. Under the terms of her loan, she made a down payment of $600. The balance was paid in twelve monthly installments of $109.*

What was the actual dollar cost of the credit? ____________________

4

TOO MUCH?



Master Charge
HEXON
Fun Bank
$
Moboil
AJAX FINANCE CO.
BankAmericard

HOW MUCH IS TOO MUCH?
PROTECTING A GOOD CREDIT RATING

DICTIONARY

passwords ...

4 TOO MUCH?

ASSET	*Anything owned that has exchange value*
ATTACH	*To take by legal authority*
BANKRUPTCY	*A legal proceeding that frees the consumer from debts he is unable to pay*
CREDIT ALLOWANCE	*The amount of credit a consumer should be able to handle*
CREDIT COUNSELING	*Aid given to the consumer which includes organizing finances and arranging repayment schedules*
DISCRETIONARY INCOME	*Income remaining after necessities such as shelter, food, and clothing have been provided*
GARNISHMENT OF WAGES	*A legal action by which part of a debtor's wages may be ordered paid to a creditor*
REPOSSESS	*Take back*
TOO-MUCH-FEVER	*The all-too-common problem of using too much credit*
WAGE-EARNER PLAN	*A provision of the federal Bankruptcy Act which allows the debtor to pay off his obligations without having to declare bankruptcy*

Ready to Move On ?

Do You Know the Passwords ?

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HOW MUCH IS TOO MUCH? -- Well, it depends. One of the most common diseases in Credit Land is *Too-Much-Fever.*

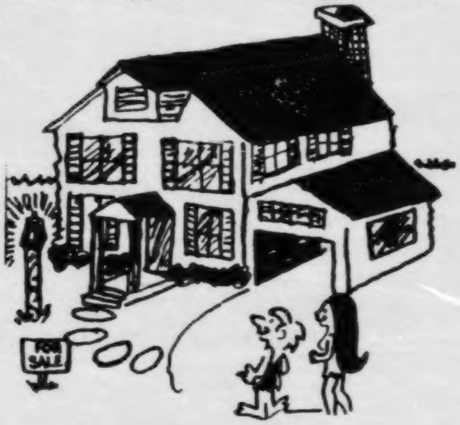
Ever wish you hadn't used that credit card so often?

Wished you had shopped around before jumping at that once-in-a-lifetime deal?

Learned too late you didn't read enough of the fine print?

Sound familiar?
We learn by our mistakes, but it's less painful to learn from the mistakes of others than our own.

For example - -
Let's take a look at what happened to Happ when he caught credit fever:



HAPP WAS DOING FINE. HE'D OBTAINED A MORTGAGE FOR PURCHASING A NEW HOME & WAS EASILY MEETING THE MONTHLY PAYMENTS. HIS CAR WAS PAID FOR AND ALL HIS BILLS WERE UP-TO-DATE.

THEN HAPP DECIDED THE NEW HOME REALLY NEEDED NEW FURNITURE. HIS CREDIT CARD FOR THE LOCAL DEPARTMENT STORE WAS HANDY SO HE & MS. HAPP PICKED OUT A BEAUTIFUL NEW LIVING ROOM SET & CHARGED IT.

THE NEXT WEEK THE REFRIGERATOR BROKE DOWN & HAPP HAD TO CHARGE A NEW ONE RIGHT AWAY. HE HAD HARDLY BOUGHT THE REFRIGERATOR WHEN HIS WIFE INFORMED HIM THAT ALL THE CHILDREN'S CLOTHES WERE TOO SMALL & NEW ONES MUST BE BOUGHT BEFORE THE SCHOOL YEAR BEGAN. SO---ANOTHER TRIP TO TOWN TO BUY NEW WARDROBES ON CREDIT!

IT DIDN'T TAKE LONG FOR HAPP TO FIND HIMSELF SO DEEP IN DEBT THAT HE COULDN'T PAY ALL HIS BILLS. THE STORES BEGAN TO REPOSSESS (TAKE BACK) ALL HAPP'S LOVELY THINGS. SOON, WHAT HAD SEEMED LIKE THE FULFILLMENT OF A DREAM HAD BECOME A NIGHTMARE!

HAPP LEARNED THAT NOT ONLY CAN CREDIT BE A GREAT CONVENIENCE, BUT IT CAN BE DANGEROUS.

ACME
REPOSSESSION

WHAT CAN HAPPEN WHEN TOO-MUCH-FEVER BECOMES CRITICAL & THE PATIENT REQUIRES INTENSIVE CARE?

Any one of the following:

REPOSSESSION	-- The debtor may be ordered to give back the merchandise because of his inability to pay.
GARNISHMENT OF WAGES	-- A creditor may obtain a court order requiring the debtor's employer to pay part of the debtor's wages to the creditor.
GARNISHMENT OF PERSONAL PROPERTY	-- A creditor may obtain a court order allowing collection from the debtor's checking account or forcing the debtor to sell personal property and apply to proceeds against the amount owed.
"WAGE-EARNER PLAN"	-- The plan defined in Chapter XIII of the Federal Bankruptcy Act which allows the debtor to pay off his obligations without having to declare bankruptcy.
DECLARATION OF BANKRUPTCY	-- The debtor gives the court everything he owns except exempted personal property, & the court distributes the proceeds to his creditors. *Bankruptcy is the worst possible mark on a credit record.*

If you feel you have any symptoms of Too-Much-Fever, especially if it is becoming as critical as it had for Happ, try the following steps:

1. Explain the situation and ask to have your credit terms changed.
   Creditors are often very understanding if contacted early. They would much rather be sure of something than nothing.

2. Ask for help:

The Consumer Credit Counseling Service is a non-profit credit-counseling service which can:

A. Help work out a spending plan and organize finances even before credit difficulties.
B. Help arrange repayment schedules with creditors--may even collect from the debtor and distribute to various creditors.

3. Use your assests:

The cash value of your insurance policies is the best source if available.
Be careful if you must use bill consolidation loans as the interest may be very high.

4. Look for additional help:

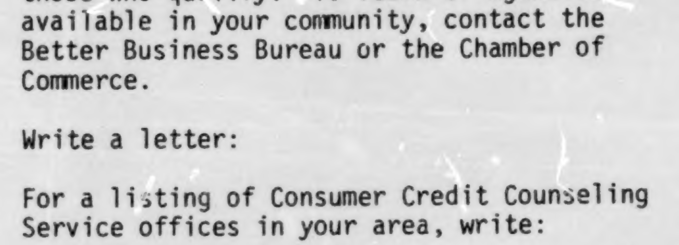
Other help may be available from welfare organizations and Legal Aid Societies for those who qualify. To learn of agencies available in your community, contact the Better Business Bureau or the Chamber of Commerce.

5. Write a letter:

For a listing of Consumer Credit Counseling Service offices in your area, write:

National Foundation for Consumer Credit
1819 H Street NW
Washington, D.C. 20005

BEWARE! of private concerns or debt adjustors who make it a business to act as middle men between the debtor and his creditors.
Such firms may well solve your problem--but charge 35% or more of your total debt.
Use the *free* services available to you as a consumer--no one needs even more debt.



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FOREWARNED IS FOREARMED, so ---
before Too-Much-Fever becomes terminal, remember:

You begin with an emergency fund of at least $500,

Your installment debts (not counting your mortgage) should --

Total no more than 20% of your take-home income

and

CREDIT IS YOUR MOST PRECIOUS FINANCIAL ASSET

Using credit wisely is basically a matter of being sure of two things:

1 That each time you use credit or go into debt you are getting something of value or gaining an asset

2 That you can manage the payments without sacrificing other important needs

TO DETERMINE YOUR SAFE AMOUNT FOR CREDIT use any of three simple guides for a quick estimate:

1. No more than 1/3 of your yearly discretionary income.
   This means what is left after paying your fixed expenses for food, shelter, clothing, etc.
2. No more than 10% of your spendable (take-home) income could pay off in 12-24 months.
3. No more than 20% of the year's income after deductions.
   (20% of your take-home pay)

Guide number three is the easiest for most of us to use and will apply to any income without individual budget information.

Let's look back to when the Hazzards were newlyweds & use their example:

BOTH HAPP & MS. HAPP ARE EMPLOYED & MAKE $1500 PER MONTH AFTER TAXES. THEY HAVE PAYMENTS OF $100 FOR THEIR CAR AND $50 FOR FURNITURE.

To figure their credit allowance:

Multiply their take-home pay by 20% to find their credit allowance.

$1500 X 20% = $300 PER MONTH

Subtract their current credit payments from their monthly credit allowance.

$300 - $150 = $150 REMAINING CREDIT ALLOWANCE PER MONTH

The Hazzards can therefore probably safely take on an additional $150 in credit obligations per month.
How much could their new obligations be for one year?

"It's simple. All we do is skip two payments on the TV & one on the car. That's more than enough for the downpayment on the boat."

PLAN AHEAD. DON'T OVERSPEND BY COMMITTING THE MONEY YOU HAVE NOT YET EARNED.

DO PLAN FOR THE UNEXPECTED.
IF YOU DON'T PLAN AHEAD, THE UNEXPECTED SHOULD BE EXPECTED.

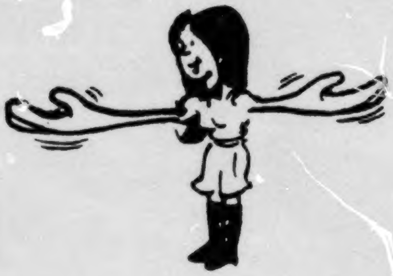
COSTS-LESS GAS
WE HONOR ALL MINOR CHARGE CARDS

"Just a minute, sir. I think I've found it!"

SUMMARY

DO:

1. SHOP AS CAREFULLY WHEN YOU USE CREDIT AS WHEN YOU USE CASH.
2. OBTAIN A WRITTEN STATEMENT OF ALL TERMS & CONDITIONS OF THE CREDIT TRANSACTION.
3. KNOW (IN DOLLARS) EXACTLY WHAT YOU ARE PAYING FOR THE CREDIT.
4. CONTACT YOUR CREDITOR IMMEDIATELY IF YOU ARE UNABLE TO MAKE A PAYMENT.
5. USE CREDIT ONLY AS A PREPLANNED PART OF TOTAL MONEY MANAGEMENT.
6. PROTECT YOUR CREDIT RATING WITH GOOD PAYMENT HABITS.



DON'T:

1. USE CREDIT TO BUY THINGS YOU DO NOT REALLY NEED.
2. LET EASY CREDIT TEMPT YOU TO BE EXTRAVAGANT.
3. TAKE ON COMMITMENTS FOR MONTHLY PAYMENTS WHICH ARE MORE THAN THE MONEY YOU ARE SURE YOU WILL HAVE TO MEET THOSE PAYMENTS.
4. FAIL TO MAKE PAYMENTS REGULARLY & PROMPTLY.
5. USE CREDIT UNLESS YOU FEEL THAT IMMEDIATE POSSESSION & USE IS WORTH THE ADDITIONAL COST.
6. ENTER INTO ANY CREDIT TRANSACTION UNLESS YOU ARE SURE THE FIRM YOU ARE DEALING WITH IS A REPUTABLE ONE.

~~4~~ 179

Review Time

4 TOO MUCH?

T F

_____ _____ 1. A safe amount for credit is not more than 20% of your take-home pay.

_____ _____ 2. Using credit can be dangerous because it is spending money you have not earned yet.

_____ _____ 3. Private consumer counseling services or debt adjustors are the best source of free credit advice.

_____ _____ 4. Bankruptcy should only be considered when all else has failed.

_____ _____ 5. The Wage-Earner Plan is a method of Wage Garnishment.

_____ _____ 6. It is often possible to reschedule your payments if you contact your creditors before you get into real difficulty.

_____ _____ 7. There are no free credit counseling services available to the consumer.

_____ _____ 8. When determining your limit for misleading credit, include your home mortgage.

_____ _____ 9. A creditor may attach part of a wage-earner's salary to repay debts.

_____ _____ 10. Bankruptcy is the most damaging item to be included in a credit record.

11. List two ways a credit counseling service might help a consumer with credit problems.

A. ____
____

B. ____
____

12. Use the 20% of take-home pay guideline to determine a safe amount of installment credit for the following monthly incomes:

$750 ______________

$1080 ______________

$1550 ______________

13. Use the 20% guideline to decide a safe amount of installment credit for each person. Each already has a $150 a month car payment.

Income	20% Credit Guideline	Remaining Available Credit
$1000	________	________
$1500	________	________
$1950	________	________

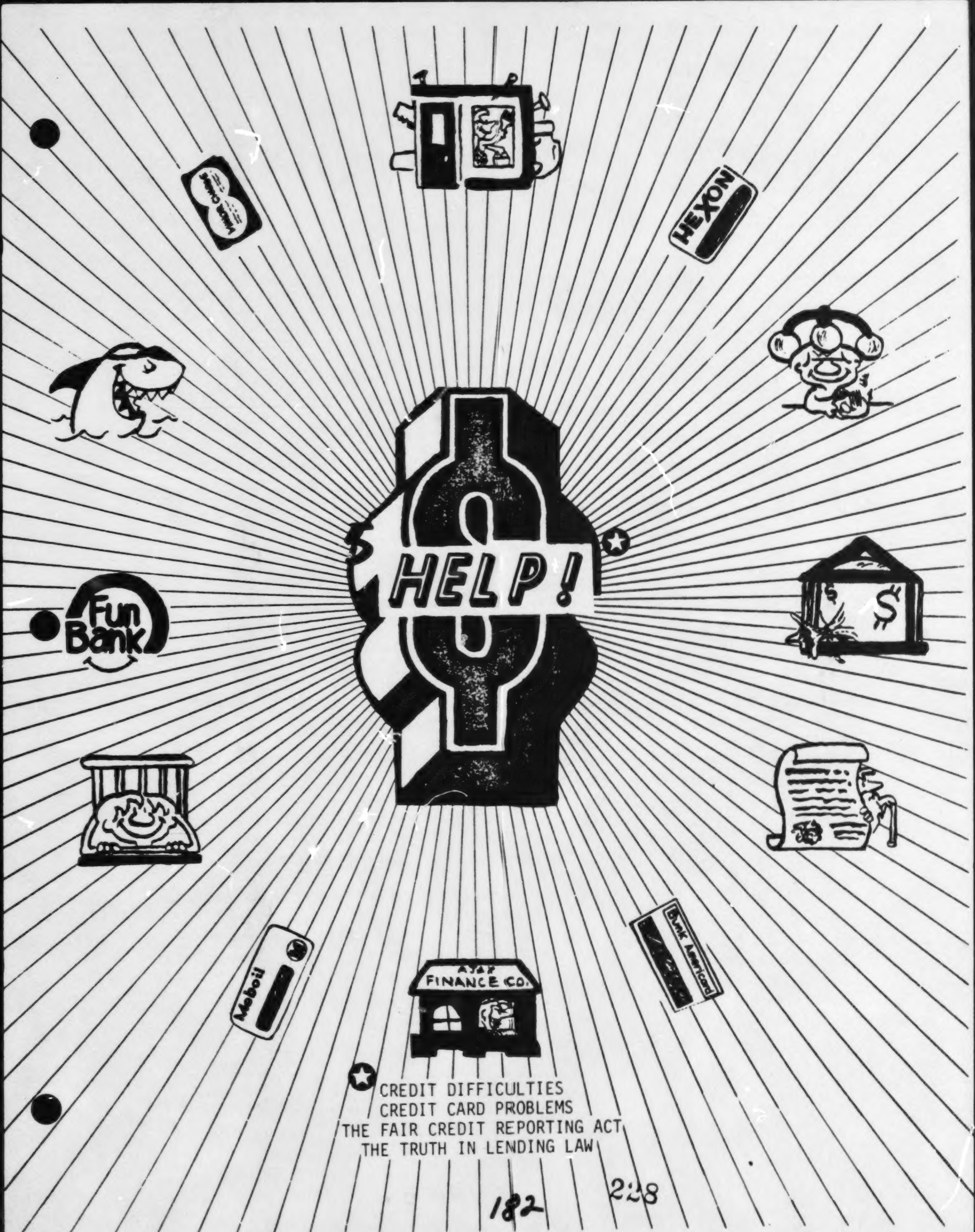
14. Discuss: "Credit can be too easy to use."

15. List three rules to follow to prevent using too much credit.

____

____

____


HELP!
Master Charge
HEXON
Fun Bank
Meboil
AJAX FINANCE CO.
Bank Americard

CREDIT DIFFICULTIES
CREDIT CARD PROBLEMS
THE FAIR CREDIT REPORTING ACT
THE TRUTH IN LENDING LAW

DICTIONARY

passwords ...

5

HELP!

CONFIDENTIAL	Secret; told in confidence
CONSUMER PROTECTION ACT	Truth In Lending Act
CREDITOR	One to whom a debt is owed
DEBIT	Charge
DISCLOSURE	Made known or public
DISCRIMINATION	Judgment based on membership in a group instead of individual merit
EQUAL CREDIT OPPORTUNITY ACT	The federal regulation which prohibits the use of discrimination against credit applicants
FAIR CREDIT REPORTING ACT	The federal law which regulates the use of personal credit information by consumer reporting agencies, creditors and employers
REGULATION Z	The Federal Reserve Board's interpretation of and detail of how creditors must carry on their business under the Truth in Lending Law
TRUTH IN LENDING ACT	Basic law governing those who deal in credit; Includes regulations against discrimination, and guidelines for disclosure; also often referred to as the Consumer Credit Protection Act

Ready to Move On ?

Do You Know the Passwords ?

Today's consumer is not out there alone, unprotected, in Credit Land. His rights *are* protected if he becomes informed and exercises his responsibilities.

Shopping for and using credit is now a much easier task for the informed consumer. His rights include knowing exactly what he is paying for credit, freedom from discrimination, and rights of recourse.

The *CONSUMER PROTECTION ACT OF 1968* was the beginning of credit rights for the consumer. It was possible, for the first time, for consumers to shop wisely for credit because terms were written in a common language that all could understand.

The findings and declaration of purpose are summarized as follows:

> Sec. 102. The Congress finds that economic stabilization would be enhanced and the competition among the various financial institutions and other firms engaged in the extension of consumer credit would be strengthened by the informed use of credit. The informed use of credit results from an awareness of the cost thereof by consumers. It is the purpose of this title to assure a meaningful disclosure of credit terms so that the consumer will be able to compare more readily the various credit terms available to him and avoid the uninformed use of credit. (82 Stat. 146; 15 U.S.C. 1601.)

Now the consumer is protected by federal legislation at each step of the credit process. Whether shopping for credit, applying for credit, being evaluated for credit through credit histories and records, correcting credit mistakes, or complaining about credit, he is covered by the *TRUTH IN LENDING ACT*, the *FAIR CREDIT REPORTING ACT*, the *FAIR CREDIT BILLING ACT*, and the *EQUAL CREDIT OPPORTUNITY ACT*.

This legislation applies as follows:

SHOPPING FOR CREDIT ⟶ ***Truth in Lending Act***

APPLYING FOR CREDIT ⟶ ***Equal Credit Opportunity Act***

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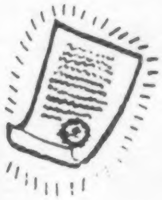
CREDIT HISTORIES & RECORDS → *Fair Credit Reporting Act*
Equal Credit Opportunity Act

CORRECTING CREDIT MISTAKES → *Fair Credit Billing Act*
Truth in Lending Act

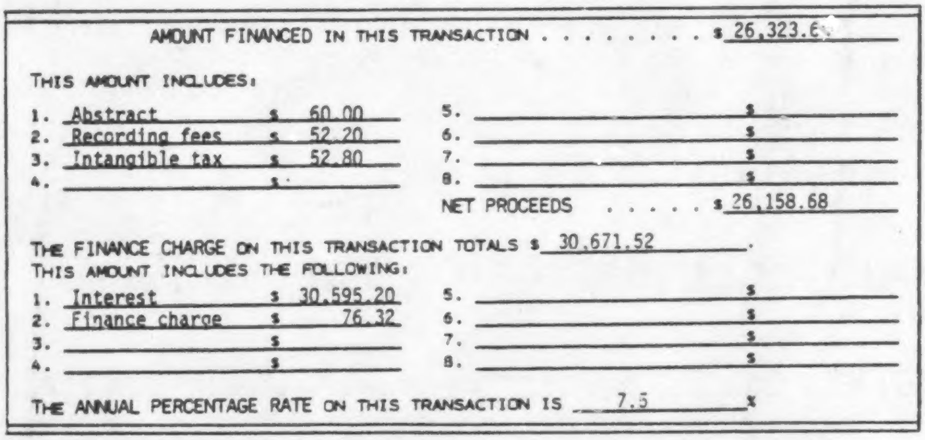


Truth in Lending Act

Public Law 90-32, popularly known as the *TRUTH IN LENDING ACT*, covers all credit transactions of $25,000 or less extended for personal, household, or agricultural purposes and regulates individuals or organizations that regularly extend credit. Included are banks, credit unions, savings and loan associations, retail and service charge accounts, credit card issuers, doctors and dentists.

* requires finance charges be stated in dollar amounts and annual percentage rates (APR).

Through this requirement the consumer is aware of the actual amount he is paying for the credit and has a standard amount by which he can compare credit plans. The APR is the key. It is this figure the credit consumer should ask for when shopping for credit.



AMOUNT FINANCED IN THIS TRANSACTION . . . . $ 26,323.68

THIS AMOUNT INCLUDES:

1. Abstract	$ 60.00	5.	$
2. Recording fees	$ 52.20	6.	$
3. Intangible tax	$ 52.80	7.	$
4.	$	8.	$

NET PROCEEDS . . . . . $ 26,158.68

THE FINANCE CHARGE ON THIS TRANSACTION TOTALS $ 30,671.52 .
THIS AMOUNT INCLUDES THE FOLLOWING:

1. Interest	$ 30,595.20	5.	$
2. Finance charge	$ 76.32	6.	$
3.	$	7.	$
4.	$	8.	$

THE ANNUAL PERCENTAGE RATE ON THIS TRANSACTION IS 7.5 %

* requires that finance charges include all costs involved in obtaining credit.

Because of this requirement the consumer does not have any add-on or hidden costs he was not aware of when he applied for credit.

> DETERMINATION OF FINANCE CHARGE
>
> Sec. 106. (a) Except as otherwise provided in this section, the amount of the finance charge in connection with any consumer credit transaction shall be determined as the sum of all charges, payable directly or indirectly by the person to whom the credit is extended, and imposed directly or indirectly by the creditor as an incident to the extension of credit, including any of the following types of charges which are applicable:
>
> (1) Interest, time price differential, and any amount payable under a point, discount, or other system of additional charges.
> (2) Service or carrying charge.
> (3) Loan fee, finder's fee, or similar charge.
> (4) Fee for an investigation or credit report.
> (5) Premium or other charge for any guarantee or insurance protecting the creditor against the obligor's default or other credit loss. (Reg. Z/226; §106)

The disclosures required under the *TRUTH IN LENDING ACT* include the following:

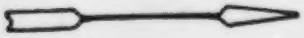
COST OF CREDIT
- Annual percentage rate (APR)
- Total dollars of finance charge
- Method of computing finance charge
- Description of grace period

PAYMENTS
- Number of payments
- Amount of each payment
- Due date of payments
- Total amount of payments
- Minimum payment
- Details of balloon payment

PENALTIES
- Fee for late payment
- Fee for prepaying before maturity

SECURITY
- Description of borrower's property held as security

Seams
Bank Americard
Fun Bank
Moboil
HEXON


* protects against unauthorized use of credit cards.

Today's plastic money is super-convenient, but it can also cause problems:

Credit cards are frequently stolen in hotels or motels.

Credit cards are stolen from glove compartments.

Pickpockets steal credit cards.

Credit cards are frequently lost or stolen in restaurants & bars--you forget your credit card; the waiter hides it under a plate or napkin, hoping you will forget it, or the waiter will return with someone else's expired card, hoping you will not notice.

Credit cards are obtained fraudulently as the result of false applications.

Cards were issued to, but never received by, legitimate applicants--an application is made for a missing credit card by obtaining enough personal information about the consumer to make application.

Two sets of credit receipts may be imprinted at the time of the credit transaction.

The total amount on a credit card receipt may be raised.

Each of the incidents mentioned is a possibility. This does not mean the consumer should not trust waiters, cashiers or clerks, however. It does mean he should be aware of what is happening when he uses his credit card. It is he, the consumer, who must pay.

Lost or stolen credit cards can mean inconvenience, loss of money, and a great deal of embarrassment, depending on the situation. Every user of this "plastic money" should guard against the possibility of loss & misuse or fraud.

Remember to:

Sign all cards with your legal signature as soon as you get the card.

Be as careful with credit cards as you are with cash or personal checks.

Never lend credit cards to others.

Carry only those credit cards you need--leave the others locked up at home.

Destroy all expired or unwanted credit cards.

Carry cards in a concealed compartment of your wallet or a separate case, out of the reach of pickpockets.

Make sure you get your credit card back after every use.

Keep a list of all credit cards, with company addresses & phone numbers. Lists should be kept both at home and carried with you to make prompt notification possible.

Notify credit card companies of changes in your name and address.

Compare monthly charge statements with your records.

Report credit card loss immediately.

Regulation Z provides protection for the credit card consumer in both the issuing of cards and in liability for unauthorized use.

Credit cards may not be issued except in response to a request or application or as a renewal of, or substitution for, an accepted credit card. (Reg. Z/226.13a)

A cardholder is liable for unauthorized use of credit cards *only* if:

1. the credit card is an accepted credit card;
2. the liability does not exceed $50;
3. the card issuer has given the cardholder adequate notice on the credit card or previous to the unauthorized use regarding the cardholder's potential liability;
4. the card issuer has provided the cardholder with the addressed postage-paid notification to be mailed in case of loss, theft, etc.;
5. the card issuer has provided a method whereby the user of the card can be identified as the person authorized to use it.

Be cautious with your credit cards. Use them wisely and guard against the possibilities of difficulties. Cause for concern might include:

1. A renewal card does not arrive several weeks before the expiration date on the current card.
2. A clerk "misplaces" your card.
3. A person behind you at the sales counter seems unusually interested in watching your credit card transaction.
4. The usual monthly bill does not arrive.
5. A charge slip included with the bill indicates a total larger than the total on your "customer's copy" slip.
6. A charge slip does not correspond with any of your copies.

⟶ * regulates the advertising of credit terms.

Accurate advertising of credit terms is required. If one credit feature is mentioned, such as the downpayment, then all important credit features must be included--such as the APR and the number, amount, and schedule of payments.

⟶ * offers protection when homes are used as security for a credit transaction.

The costs of settlement when buying a house and the three day right of refusal on a credit purchase for which a house was used as security are included in this disclosure requirement.

"In accordance with the Truth In Lending Law, I must inform you that if you miss a payment you may well wind up in the hospital."

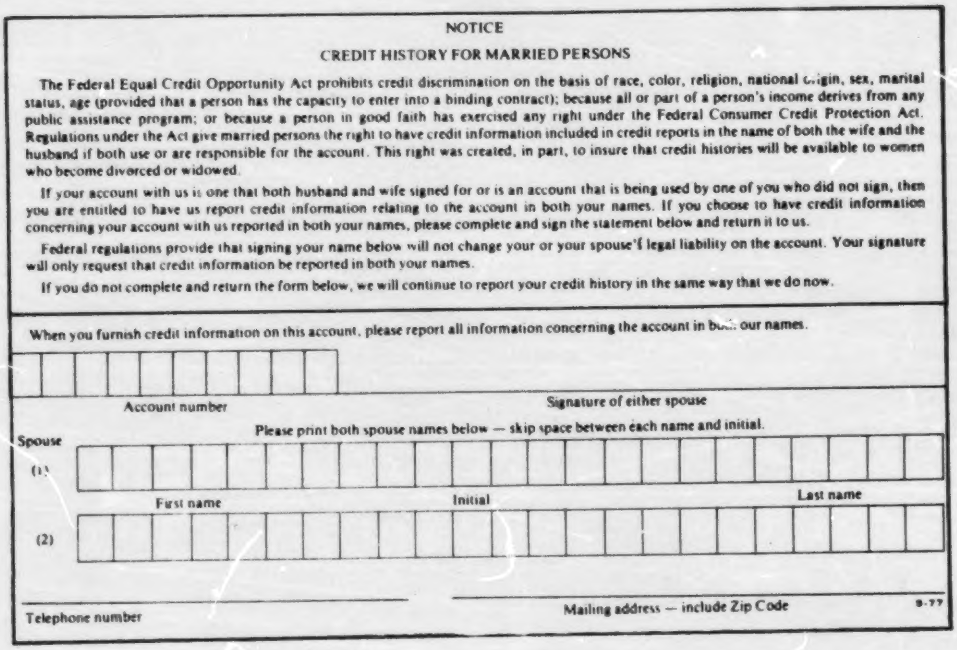
BEST COPY AVAILABLE

Equal Credit Opportunity Act

The law which starts all credit consumers off on the same footing is the *EQUAL CREDIT OPPORTUNITY ACT*. Discrimination is prohibited in any part of a credit transaction.

* prohibits the denial of credit on the basis of sex, marital status, race, color, age, religion, national origin, income received from public assistance programs, and use of consumer credit laws.

Credit consumers are provided with a statement such as the one reproduced below:



NOTICE

CREDIT HISTORY FOR MARRIED PERSONS

The Federal Equal Credit Opportunity Act prohibits credit discrimination on the basis of race, color, religion, national origin, sex, marital status, age (provided that a person has the capacity to enter into a binding contract); because all or part of a person's income derives from any public assistance program; or because a person in good faith has exercised any right under the Federal Consumer Credit Protection Act. Regulations under the Act give married persons the right to have credit information included in credit reports in the name of both the wife and the husband if both use or are responsible for the account. This right was created, in part, to insure that credit histories will be available to women who become divorced or widowed.

If your account with us is one that both husband and wife signed for or is an account that is being used by one of you who did not sign, then you are entitled to have us report credit information relating to the account in both your names. If you choose to have credit information concerning your account with us reported in both your names, please complete and sign the statement below and return it to us.

Federal regulations provide that signing your name below will not change your or your spouse's legal liability on the account. Your signature will only request that credit information be reported in both your names.

If you do not complete and return the form below, we will continue to report your credit history in the same way that we do now.

When you furnish credit information on this account, please report all information concerning the account in both our names.

Account number

Signature of either spouse

Please print both spouse names below — skip space between each name and initial.

Spouse

(1)

First name

Initial

Last name

(2)

Telephone number

Mailing address — include Zip Code

9-77

* requires notification of applicant when credit is denied, and listing of reasons for denial.

X6 190

Fair Credit Reporting Act

Procedures for correcting mistakes on consumer's credit records are established in the *FAIR CREDIT REPORTING ACT*.

Basically, the Act includes six provisions:

1. Who can lawfully use a credit report
2. What type of information a consumer reporting agency cannot report
3. What disclosures the issuers & users of consumer reports are obligated to make to consumers & when they must be made
4. What procedures must be followed when a consumer disputes the accuracy of information in a reporting agency's file
5. What the penalties are for non-compliance & which federal agencies are responsible for enforcement
6. Which federal agencies regulate which creditors.

* protects against circulation of inaccurate or obsolete information in credit records.

THE RIGHT TO REVIEW A CREDIT FILE: Upon proper identification, the consumer has the right to be informed of all information in the credit file and the sources of the information.

THE RIGHT TO A FREE REVIEW: The consumer cannot be charged for an interview if within 30 days he has either been denied credit because of a credit report from a credit bureau or has received a notice from a collection department affiliated with the credit bureau.

* insures the right of the consumer to see and correct his credit records.

THE RIGHT TO BE INFORMED OF A REFUSAL OF CREDIT: The credit grantor must inform the consumer of his decision to deny credit & provide the name and address of the credit bureau supplying the report.

THE RIGHT TO CORRECT AN ERROR: Should the consumer discover an error in his file, the credit bureau will re-investigate to correct the error or record an explanation from the consumer if an account is in dispute.

Fair Credit Billing Act

* regulates "open end" credit plans such as revolving credit accounts and credit cards.

Required information supplied the open-end credit customer is the

1. conditions under which the finance charge may be imposed and the period in which payment can be made without incurring a finance charge.
2. the method used in determining the balance on which the finance charge is to be imposed.
3. how the actual finance charge is calculated.
4. periodic rates used and the range of balances to which each applies.
5. conditions under which additional charges may be made along with details of how they are calculated.
6. descriptions of any lien which may be required on a customer's property.
7. minimum payment that must be made on each billing.
8. statement of the customer's rights under the Fair Credit Billing Act. {Reg. Z/226.7(a)(9)}

* establishes a billing dispute settlement procedure for periodic billing statements.

The requirements of the *FAIR CREDIT BILLING ACT* are met through the printing of monthly statements. Examine several such statements from both nation-wide credit cards and store accounts to locate each item and note the similarities and differences in such disclosures. All such information is available, but not always on the same area of the billing statement.

Unfair Credit Practices

You are *not* out there in Credit land with no one to care. You have protection under the *TRUTH IN LENDING ACT* and the *FAIR CREDIT REPORTING ACT*. There are also agencies to contact to report unfair or illegal credit practices. It is the consumer's responsibility to report unfair creditors. Such persons might continue to mistreat unsuspecting consumers unless they are dealt with properly.

Local, state, and national agencies and organizations include:

Better Business Bureau
Chambers of Commerce
District Attorney
Federal Reserve System
Legal Aid Society
National Credit Union Administration
Newspapers
Radio/TV stations
Small Claims Court or County Court
State Attorney General

Federal agencies include:

Federal Trade Commission--Division of Credit Practices
U. S. Post Office
President's Special Assistant for Consumer Affairs
Your Congressman

People tend to complain when they are unhappy about something. If the problem is severe, a formal complaint should be made. You need to find out who to complain to, so that your complaint will be properly handled.

Try these six steps:

1. TRY TO MAKE SURE THAT YOU HAVE A COMPLAINT THAT CANNOT BE SOLVED BY YOURSELF.
   OFTEN, TALKING TO THE OFFENDER CAN CORRECT YOUR PROBLEM.

2. NEXT, LOCATE THE AGENCY TO SOLVE THE PROBLEM.
   A. TRY TO THINK OF A CATEGORY YOUR PROBLEM FITS INTO -- SUCH AS BEING REFUSED CREDIT AT A STORE BECAUSE YOU ARE "JUST A WOMAN," OR YOU THINK THE CREDIT CHARGE IS ILLEGAL.
   B. USE YOUR PHONE BOOK TO LOCATE AN APPROPRIATE AGENCY.
   C. CALL AND BRIEFLY DESCRIBE YOUR PROBLEM. IF THIS IS THE WRONG AGENCY, ASK FOR A SUGGESTION OF WHO TO CALL NEXT. DON'T GIVE UP. IF YOU KEEP TRYING, EVENTUALLY YOU WILL FIND YOUR AGENCY.
   D. KEEP A LOG OF EACH AGENCY YOU CALL AND THE NAME OF THE PERSON YOU TALK TO.

3. BEFORE YOU CALL HAVE ALL THE INFORMATION AVAILABLE AND IN EASY TO UNDERSTAND FORM.

4. BE COURTEOUS, REMEMBER YOU ARE DEALING WITH OTHER PEOPLE. A BIG PROBLEM TO YOU, MAY BE JUST ANOTHER CALL TO THE AGENCY.

5. ONCE YOU HAVE LOCATED THE CORRECT AGENCY YOU WILL NEED TO EXPLAIN YOUR PROBLEM.
    - A. SOME AGENCIES WILL REQUIRE A FORMAL COMPLAINT FORM. THEY WILL EITHER MAIL IT TO YOU, OR YOU MAY GO BY THE OFFICE TO PICK IT UP.
    - B. SOME AGENCIES WILL REQUIRE A WRITTEN LETTER THAT EXPLAINS YOUR PROBLEM.

6. BEFORE YOU FINISH YOUR CALL, ASK IF YOU SHOULD CONTACT OTHER AGENCIES.

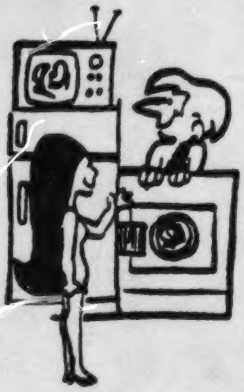
COMPLAINT
LETTER

If that first call or letter does not get the right answer, ask for the correct person or office to contact.

Know and use your rights as a credit consumer. There *is* someone who cares.

HORRIBLE HAPP

Review Time



5

HELP!

Read each of the credit situations below. Decide how the consumer should exercise his credit rights. Choose your answers from the following list:

1. Better Business Bureau
2. Equal Credit Opportunity Act
3. Fair Credit Reporting Act
4. Regulation Z
5. Small Claims Court or County Court
6. Truth in Lending
7. U. S. Post Office

Write the number of the answer you have chosen on the blank for each situation.

_____ *A wife is denied credit in her own name.*

_____ *A credit bureau refuses to disclose information to the consumer concerning information in his credit file.*

_____ *A mail credit offer was a fraud.*

_____ *A loan was made to a friend who refuses to repay the loan.*

_____ *A local store does not seem to keep proper records of payments.*

Evaluate the statement:
"Credit should be regarded as a right rather than a privilege."

SELF - EVALUATION

1. As you reflect upon your experiences using this PAL, what were the most important things you learned?

2. What were the most important things you learned about:

   A. What credit is?

   B. How to get credit?

   C. The costs of credit?

   D. Credit problems?

   E. Help for the credit consumer?

3. What are the important consumer topics about which you would like to learn more?

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You have just completed studying one module of the SCAT curriculum. There may be other topics about which you wish to learn more. SCAT modules can help you acquire skills, concepts, and knowledge necessary to function as an informed and wise consumer in twelve areas.

HEALTH AND THE CONSUMER contains 6 units:

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FOOD SHOPPING:	Food for Your Brood
MEDICAL CARE:	Say Ahh!
PERSONAL GROOMING:	Let's Face It!
PRODUCT SAFETY:	An Ounce of Prevention

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BANKING:	You Can Bank on It!
CREDIT:	Ch..a..r..rge!!!
INSURANCE:	It's Later Than You Think
TAXES:	An Offer You Can't Avoid

"$KILLS FOR CONSUMERS APPLIED TODAY"

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